Title: The Russia (Sanctions) (EU Exit) (Amendment) (No. 15) Regulations 2022 **IA No:** FCDO2208 • **RPC Reference No:** **Lead department or agency:** Foreign, Commonwealth & Development Office **Other departments or agencies:** Department for International Trade, Department for Business, Energy & Industrial Strategy, HM Treasury	**Impact Assessment (IA)** **Date:** 25/10/2022 **Stage:** Final **Source of intervention:** Domestic **Type of measure:** Secondary legislation **Contact for enquiries:** Sanctions@fcdo.gov.uk

Summary: Intervention and Options

RPC Opinion: Fit for purpose

Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social Value	**Business Net Present Value**	**Net direct cost to business per year**	**Business Impact Target Status** Qualifying provision
-£120.0m	-£120.0m	£15.2m	£76.2m

What is the problem under consideration? Why is government action or intervention necessary?

Russia's assault on Ukraine is an unprovoked, premeditated attack against a sovereign democratic state. Its actions are a clear and flagrant violation of international law and the UN Charter. Its behaviour is not only threatening Ukraine's sovereignty, but also destabilising rules-based international conventions and the values that underpin them.

In September 2022, Russia conducted sham referenda in four regions of Ukraine and declared the illegal annexation of these territories. In response, HM Government and its international allies announced another wave of high-impact sanctions. By bringing more measures and designations into force, HM Government aims to ramp up economic pressure on the Russian regime and deter further aggression in Ukraine.

What are the policy objectives of the action or intervention and the intended effects?

The policy objectives are to:

- **Pressure** the Russian government into changing policy by targeting its strategic and economic interests.
- **Constrain** the Russian military-industrial complex, in terms of its ability to maintain the occupation of Ukraine and its future technological ambitions.
- **Signal** to Russia and the wider international community that the UK considers Russia's actions in Ukraine to be unacceptable.

The measures assessed in this Impact Assessment are additional to the ones previously introduced. While existing measures are applying significant economic pressure on the Russian government, the continuation of the war demonstrates that they have not themselves been sufficient to dissuade decision makers from taking aggressive and destabilising actions against Ukraine.

The measures in this Statutory Instrument will remain in place until HM Government is satisfied that Russia has changed its actions and intentions towards Ukraine. We have aligned with EU and other G7 partners where possible to maximise the impact of these measures on Russia.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 0: Do nothing. Rely on existing sanctions to erode the financial and economic power of the Russian government, constrain its ability to destabilise and invade sovereign nations, and encourage it to change course in Ukraine. Continue to act through diplomatic channels and multilateral fora to signal to the Russian government that such actions are unacceptable and represent serious breaches of international law. While they have clearly exerted economic pressure on the Russian government, previous sanctions have not yet dissuaded Putin's regime from military aggression against Ukraine.

Option 1: Implement additional trade sanctions measures [Preferred option]. This is a strategic, targeted package of sanctions that will deliver against our Russia objectives. It will:

- **Deepen** the impact on Putin's regime, deny it the resources and revenues to finance its illegal invasion and signal the UK's continuing condemnation.
- Ensure that the UK's response is **aligned and coordinated** with a broad coalition of EU and G7 partners, to maximise the impact on Russia.
- Support the **sharpening** of trade sanctions and their effective enforcement.

In addition, further measures will ensure that there is no reversal of actions by UK businesses, where they have self-sanctioned or reduced their business with Russia in response to the war. We cannot determine how long UK businesses will continue to self-sanction, whether directly or indirectly through the wider chilling effects that have been seen across global markets.

Key measures in this sanctions package will prohibit the export, supply, delivery, making available and transfer of additional categories of goods to, or for use in, Russia. Export restrictions apply to:

- A list of around 700 goods known as 'Russia's vulnerable goods list', including chemicals, machinery and electrical appliances. These goods are crucial to Russia's industrial and technological capabilities.
- A limited number of products that are being added to the 'G7 dependency and further goods list'. These goods have been identified as areas of Russian dependence on the G7 and they are being sanctioned by key G7 partners. This measure will align the UK with key partners.
- Oil refining goods and technology (including oil catalysts). The UK has also already imposed prohibitions on certain oil refining goods. Incorporating further goods will frustrate Russia's ability to develop its oil industry. This measure will also align the UK with key partners.
- Critical-industry goods and critical-industry technology. This package of sanctions adds further goods to those already prohibited in the Russia (Sanctions) (EU Exit) Regulations 2019 ('the Russia Regulations'). This will further restrict Russian access to strategic goods identified as critical to their military and economic ambitions. This measure will also align the UK with key partners.

These measures also expand previous imports sanctions to prohibit the import of additional categories of goods that originate in, or are consigned from, Russia. Import restrictions apply to:

- Liquefied Natural Gas (LNG). This measure forms part of a wider set of actions by the UK and partner countries to reduce purchases of, and reliance on, Russian gas. The US has already banned the import of Russian LNG, while the EU plans to reduce dependence on Russia for the supply of natural gas.
- Additional revenue creating goods: (i) spirits and liqueurs, including vodka and (ii) certain residue/food waste products. This measure will align the UK with key partners.
- Gold. The UK has already introduced an import ban on gold originating in Russia and exported from Russia. In this Statutory Instrument the prohibitions are extended to apply to (i) gold which has been processed in a third country; and (ii) additional gold products (articles of jewellery and goldsmiths' or silversmiths' wares and their parts that are gold, contain gold or are metal clad with gold; with an exception for personal use). This will align the UK with key partners.

In terms of financial restrictions, this Statutory Instrument extends the prohibition for UK companies to grant a loan or credit to Russian companies, so that the ban also applies to the overseas subsidiaries of Russian companies. The Statutory Instrument also introduces a new ban, which prevents loans to entities owned by individuals connected with Russia, wherever those entities are based.

Is this measure likely to impact on international trade and investment?		Yes			
Are any of these organisations in scope?	**Micro** Yes	**Small** Yes	**Medium** Yes		**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent – not this is for imports only, not estimated for exports)		**Traded:** N/A		**Non-traded:** N/A	
Will the policy be reviewed? It will be reviewed **If applicable, set review date:** policy constantly under review					

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the Responsible Minister: Leo Docherty MP Date: 26/10/2022

Summary: Analysis & Evidence

Policy Option 1

Description: Sanctions against Russia prohibiting the export and import of certain strategic goods

FULL ECONOMIC ASSESSMENT

Price Base Year 2019	**PV Base Year** 2020	**Time Period Years** 9	**Net Benefit (Present Value (PV)) (£m)**		
			Low: -£100.2m	**High:** -£124.8m	**Best Estimate:** -£120.0m

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	£0m	1	£12.7m	£100.2m
High	£0m		£15.9m	£124.8m
Best Estimate	£0m		£15.3m	£120.0m

Description and scale of key monetised costs by 'main affected groups'

There have been notable falls in UK exports to Russia post-invasion, with self-sanctioning likely to be a contributing factor, meaning that the short-term impacts of the export bans in this Statutory Instrument may in reality be limited. However, a larger proportion of UK goods exports to Russia has continued than is the case for imports, and we cannot determine how long UK businesses would continue to self-sanction. The export bans in this Statutory Instrument ensure no reversal of actions by UK businesses where they have self-sanctioned and prohibit the export of goods where self-sanctioning has not occurred. Therefore, in line with previous Impact Assessments for sanction measures, we have estimated the cost to UK businesses as a result of the export bans in this Statutory Instrument in terms of (i) the opportunity cost of future profit that may have been made from the export of goods that will be subject to restrictions under the new measures, and (ii) a regulatory transition cost in the first year. The level of self-sanctioning that appears to have taken place may mean that the latter cost is overestimated, however this only has a marginal effect on the overall estimated cost to business. The primary cost to UK businesses from sanctions on goods exports is estimated to be the opportunity cost of future profit they may have made.

Based on 2021 trade flows, these measures sanction around £201m of annual UK exports to Russia that have not previously been wholly or partially sanctioned. All of this additional value, and therefore all of the estimated additional costs to business, is estimated to result from the ban on exports of the 'Russia's vulnerable goods' list of products. The other export measures cover commodity codes that were in scope of previous Statutory Instruments. These codes are assumed to have zero export value.

Around 1,200 UK-based traders exported goods from the UK to Russia in the commodity codes covered by the export bans in this Statutory Instrument in 2021. This includes commodity codes already wholly or partially sanctioned, and some traders may also export other goods wholly or partially sanctioned in previous measures. The West Midlands is the region most impacted in terms of the value of exports to Russia in the sanctioned commodity codes in 2021, worth £69m (31% of total UK exports of sanctioned commodity codes based on the regional trade data). The South East is the region most impacted in terms of the number of traders whose exports to Russia in 2021 included the sanctioned codes, with 251 traders making up 21% of the total.

Other key non-monetised costs by ‘main affected groups’

In line with the previous sanctions Impact Assessments, we have provided an extensive qualitative assessment of the impacts of the import sanctions measures.

Due to the high value, but erratic nature of energy and gold imports, the import value of these goods do not provide an accurate estimation of the economic cost of the restriction, unlike the export measures. UK imports of the additional gold products themselves from Russia are low value, and a small share of total UK gold imports from Russia, but are, similarly, very erratic. Additionally, UK imports of the additional gold products from Russia are already partially sanctioned with additional tariffs of 35 percentage points. The bans on UK imports from Russia of LNG and additional gold products therefore require a more nuanced assessment than that associated with the export restriction, and so are non-monetised. Instead, in line with the approach taken in the previous Impact Assessment, a qualitative assessment is provided.

We do not expect to see significant market or consumer impacts from the ban on Russian LNG. The supply of Russian LNG has already reduced, alternative sources of gas are available, and UK prices follow those in the European market which are currently affected by EU moves to reduce dependence on Russian gas and Russia’s disruption of European gas supply, on which a UK LNG ban is not expected to have a large marginal impact. UK imports of the additional gold products are estimated to be low value and erratic, while the additional impact for UK businesses of the extension of the prohibition on the import of Russian gold to include gold processed in third countries but containing some Russian origin gold is not expected to be significant.

The UK also has low dependency on Russia for supply of the other goods subject to import restrictions in this Statutory Instrument, spirits and liqueurs and residue/food waste products, which are also expected to be substitutable with limited costs associated with pivoting to alternatives. Imports from Russia of these products are also already partially sanctioned with additional import tariffs of 35 percentage points. Imports of spirits and liqueurs from Russia have notably declined post-invasion, with both the additional tariffs and self-sanctioning likely to be contributing factors. UK imports of residue/food waste products are relatively low value. A high share of UK beet pulp imports are from Russia, however domestic production is expected to be sufficient to meet domestic demand and alternative import sources are available.

Overall, we do not expect there to be significant additional costs from the import bans that have not already been taken on or that are not likely to be taken on by companies voluntarily. The proposed import measures accounted for 5% of UK imports from Russia in 2021.

The value of impacted ancillary services has not been possible to quantify due to data limitations, but the additional costs are not expected to be significant. Additionally, as was the case for the original measure, it is also not possible to quantify or assess the cost to UK businesses as a result of adjustments to the loans and credit arrangements restrictions in the Regulations as there is no comprehensive oversight of this data.

BENEFITS (£m)	**Total Transition** (Constant Price)		**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	0		£0m	£0m
High	0	0	£0m	£0m
Best Estimate	0		£0m	£0m

Description and scale of key monetised benefits by ‘main affected groups’

This analysis has not monetised any benefits to UK business as a result of the export or imports measures. We do not expect UK businesses to directly benefit from the measures, as in most cases it restricts their abilities to trade goods or services to Russia.

Other key non-monetised benefits by 'main affected groups'

These measures are designed to support the restoration of peace in Ukraine, supporting security and economic development. Security and stability, together with upholding international law and the broader rules-based system, also brings longer-term economic benefits. There is a potential positive reputational impact on the UK, demonstrating that we are ready to take principled action in response to violations of international law and human rights.

Additionally, this set of measures will protect and advance UK interests by deterring and constraining the capability of Russia to undertake further aggression against Ukraine and undermine Russia's capabilities to take aggressive action against the UK and its partners. It will reinforce the UK's support for democracy, the international rule of law, and peace and security in Europe.

Key assumptions/sensitivities/risks	**Discount rate**	3.5%

Assumptions for export measures

In line with the previous sanctions package Impact Assessment:

- For the central scenario, we have applied the International Monetary Fund's (IMF's) World Economic Outlook (WEO) April 2022 estimates of the growth rate of Russian goods import and export demand to the value of UK's goods exports to, and imports from, Russia.
- For the low scenario, we have assumed low economic costs, if compared to the central scenario. This was based on applying low growth projections for Russia's goods import and export demand to the value of UK's goods exports to, and imports from, Russia.
- For the high scenario, we have assumed high economic costs, if compared to the central scenario. This was based on applying high projections for Russia's goods import and export demand to the value of UK's goods exports to, and imports from, Russia.
- A baseline of 2021 trade values was used.
- We have assumed that the sanctions remain in force for the entire appraisal period captured within this assessment.
- In year 1, we assume that there will be regulatory impacts associated with shifting trade away from Russia. This was estimated to take one hour of business time and a value was calculated according to the average hourly wage in the UK and the number of traders impacted by the bans.

Assumptions for import measures

- There has not been an attempt to monetise the impact of the import measures within this

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			**Score for Business Impact Target (qualifying provisions only) £m:**
Costs:	**Benefits:**	**Net:**	
£15.2m	£0.0m	£15.2m	£76.2m

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1. Rationale

1.1 Policy background

1) Following its illegal annexation of Crimea in 2014, Russia continued a pattern of aggressive action towards Ukraine that culminated in the invasion of Ukraine's sovereign territory on 24 February 2022. This was announced by President Putin as a "special military operation". It included recognising the "Donetsk People's Republic" and "Luhansk People's Republic" as independent states and the deployment of Russian military forces across Ukraine. Subsequently Russia held sham referenda on sovereign Ukrainian territory and attempted to illegally annex Ukraine's regions of Luhansk, Donetsk, Kherson and Zaporizhzhia, in flagrant violation of international law, including the UN Charter.

2) The UK has called on Russia to cease its military activity, withdraw its forces from the entire territory of Ukraine within its internationally recognised borders and fulfil its international commitments including under the 1975 Helsinki Act, the 1994 Budapest Memorandum and the UN Charter. The UK remains committed to providing Ukraine with the support it needs to uphold its independence, sovereignty and territorial integrity. UK policy is focused on ending Russia's illegal war in Ukraine, ensuring that Ukraine can defend itself against Russian aggression in the future and building a stable, prosperous and democratic future for all its citizens. The UK is unwavering in its support for the country's independence, territorial integrity and sovereignty.

3) These sanctions are part of a broader set of measures, including: diplomatic, military, financial, and humanitarian support; trade sanctions; financial sanctions; and designations. Change will therefore be sought through diplomatic pressure and other measures, supported by implementing restrictive measures in respect of actions undermining the territorial integrity, sovereignty and independence of Ukraine.

4) Sanctions are an important national security and foreign policy tool. HM Government has previously introduced trade measures under the Sanctions and Anti-Money Laundering Act 2018 (SAMLA) covering a range of products including prohibitions on the export of critical goods for Russia's military objectives, including defence and security goods and technology; quantum computing; dual-use items; goods that would strengthen Russia's strategic sectors, including critical-industry goods, goods used for Russia's energy sector and luxury goods; and import prohibitions on iron and steel products, certain gold products, oil, coal, and key revenue generating goods that originate or are consigned from Russia.

5) To maximise the impact on the Russian government and its supporters, the UK is working in concert with the US, EU and other G7 partners. More broadly, the UK's decisive action against Russia demonstrates its willingness to stand up for the international rules-based system and to take action against transgressors, sending a deterrent signal to others.

1.1.1 Problem under consideration and rationale for intervention

6) Whilst some businesses might choose, in the absence of sanctions, to reduce economic ties with Russian individuals or entities in response to its invasion of Ukraine, this would happen in an uncoordinated and incomplete manner. More generally, the private benefit accruing to UK businesses from trading with Russia does not factor in the wider societal cost to Ukraine, nor the costs of such violations of international law. Without intervention, it is likely a level of economic activity would continue – directly or indirectly – enabling the Russian government and entities to continue to benefit from access to goods, services and finance.

7) Given the nature of the issue, there is no appropriate non-governmental or private sector solution to the issue at hand. HM Government intervention in the form of these trade sanctions is necessary to reconcile the disparity between the private costs and benefits found in trading the listed goods with Russia, and the wider societal costs. This will ensure that UK businesses cannot directly or indirectly provide these goods, technical assistance or financing to the Russian government, military or businesses. Failure to join the international community and

impose sanctions would also undermine the UK's reputation as an upholder of international law, human rights, freedom of expression and democracy.

1.2 Policy objectives

8) HM Government's overall objectives on democracy and human rights are to protect and promote good governance and the rule of law. We also assist those who uphold or seek to promote these principles and use the UK's leverage against those who violate and abuse human rights or the rule of law.

9) HM Government's objectives of the Russia (Sanctions) (EU Exit) (Amendment No. 15) Regulations 2022 are to:

   a. **Pressure** the Russian government into changing policy by targeting its strategic and economic interests.

   b. **Constrain** the Russian military-industrial complex, in terms of its ability to maintain the occupation of Ukraine and its future technological ambitions.

   c. **Signal** to Russia and the wider international community that the UK considers Russia's actions in Ukraine to be unacceptable.

10) These measures are designed to constrain the destabilising behaviour of the Russian government and are not designed to have a detrimental impact on the Russian population. We aim to avoid direct negative impacts on the people of Russia, including through humanitarian licencing grounds; on the UK and its partners; and on the security of food and fuel. We seek to align closely with partners to achieve maximum impact on the Russian government and associated individuals and entities.

1.3 Description of options under consideration

1.3.1 Option 0: Do nothing counterfactual

11) In this option, HM Government would rely on existing sanctions to erode the financial and economic power of the Russian government, constrain its ability to destabilise and invade sovereign nations, and force it to change course in Ukraine. The UK would continue to act through diplomatic channels and multilateral forums to signal to the Russian government that such actions are unacceptable and represent serious breaches of international law. While existing measures are applying significant economic pressure on the Russian government, the continuation of the war demonstrates that they have not themselves been sufficient to dissuade decision makers from taking aggressive and destabilising actions against Ukraine. In addition, it is not clear how much longer UK businesses will self-sanction.

12) Option 0 would go against UK objectives and the wider UK-Russia sanctions strategy. Key measures in this Statutory Instrument will match the action taken by the UK's allies. Option 0 could increase the risk of circumvention and avoidance of partner countries' sanctions by allowing additional differences in sanctions actions to arise.

1.3.2 Option 1: Implement trade sanction measures [Preferred option]

13) These trade sanctions will prohibit the export, supply, delivery, making available and transfer of additional categories of goods to, or for use in, Russia. Export restrictions apply to:

   a. A list of around 700 goods known as 'Russia's vulnerable goods list', including chemicals, machinery and electrical appliances. These goods are crucial to Russia's industrial and technological capabilities. This is a wide-ranging and long list of goods. These products broadly fall into two categories: they are either (i) critical intermediate goods that feed into supply chains for Russian industry or (ii) vulnerable intermediate or end use goods. The list does not include humanitarian aid goods, basic food and food production goods, medical goods, basic personal or public communications technology, or domestic appliances. As such, the list aims to bring under sanctions the remaining exports to Russia that feed its economy or industry, but as far as possible, avoid direct negative impacts to the Russian people.

b. A limited number of products that are being added to the 'G7 dependency and further goods list'. These goods have been identified as areas of Russian dependence on the G7 and they are being sanctioned by key G7 partners. This measure will align the UK with key partners.

c. Oil refining goods and technology (including oil catalysts). The UK has also already imposed prohibitions for many oil refining goods and technology, to which this Statutory Instrument will add. This will further frustrate Russia's ability to develop its oil industry and to produce high-quality products. This measure will also align the UK with key partners.

d. Critical-industry goods and critical-industry technology. This measure adds further goods to those already prohibited in previous regulations. This will restrict Russian access to strategic goods identified as critical to their military and economic ambitions. This measure will also align the UK with key partners.

14) This package of measures also expands previous sanctions to prohibit the import of additional categories of goods that originate in, or are consigned from, Russia. Import restrictions apply to:

a. Liquefied Natural Gas (LNG). This measure forms part of a wider set of actions by the UK and partner countries to reduce purchases of, and reliance on, Russian gas. The US has already banned the import of Russian LNG, while the EU plans to reduce dependence on Russia for the supply of natural gas.

b. Additional revenue raising products: spirits and liqueurs (including vodka) and certain residue/food waste products. This measure will align the UK with key partners.

c. Gold. The UK has already introduced an import ban on gold originating in Russia and exported from Russia, along with related prohibitions on acquisition, supply and delivery and ancillary services. This Statutory Instrument now extends the prohibitions to apply to (i) gold which has been processed in a third country, incorporating gold originating in Russia; and (ii) additional gold products (articles of jewellery and goldsmiths' or silversmiths' wares and their parts that are gold, contain gold or are metal clad with gold; with an exception for personal use). This measure will align the UK with key partners.

15) An amendment to previous regulations on financial measures is also included. Currently it is still possible for UK companies to grant a loan or credit to the overseas subsidiary of a Russian company. This Statutory Instrument amends the Russia Regulations so as to bring the overseas subsidiaries of Russian companies into scope.

16) Having considered the costs and benefits of all options, HM Government believes that Option 1 is appropriate and will best support UK objectives with regard to Russia's aggression in Ukraine. Option 1 will deliver against the "deepening" pillar of HM Government's Russia strategy, implementing a new and intensified set of trade measures, to influence Putin's regime and signal the UK's continuing condemnation of Russian military aggression against Ukraine. These measures are subject to licencing and exceptions to enable otherwise prohibited activities to continue, where they are in line with the objectives of UK sanctions on Russia.

2. Implementation Plan

2.1 Secondary legislation

17) The Government intends to make secondary legislation under the Sanctions and Anti-Money Laundering Act 2018 (referred to in this Impact Assessment as "the new regulations"). Orders in Council will be made by the Privy Council to extend these amendments to the Overseas Territories. Gibraltar and Bermuda make their own legislative arrangements, as do the Isle of Man, the Bailiwick of Jersey and the Bailiwick of Guernsey.

18) The measures will come into effect on 29 October 2022, except for the LNG prohibitions and the export of the 'Russia's vulnerable goods' list and related exceptions, which will come into effect on 1 January 2023.

2.2 Licensing and exceptions

19) The new regulations will provide for certain exceptions to the new prohibitions they introduce. The new regulations will also provide for the relevant Secretary of State (depending upon the type of sanctions) to grant licences that permit certain otherwise prohibited activities. The Export Control Joint Unit (ECJU) administers the UK's system of export controls and licensing in relation to trade in goods sanctions. The Department for International Trade's Import Licensing Branch implements licensing relating to import sanctions. The licensing powers would include a power to enable General Licences to be introduced to authorise specific trade in goods activities.

2.3 Enforcement

20) It will be a criminal offence to contravene the new trade sanctions, as well as to enable or facilitate a contravention of, or to circumvent them. This is in line with what is provided in relation to the existing measures. Offences of breaching the new trade sanctions measures will be triable either way and carry a maximum sentence on indictment of 10 years' imprisonment or a fine (or both).

3. Assessment of costs and benefits

3.1 Background to assessment of the costs and benefits of both exports and imports measures

3.1.1 Types of impacts assessed

21) This assessment focuses on the costs and benefits of the regulations in the associated Statutory Instrument, with an indicative assessment of the marginal changes based on 2021 levels of trade. After a background summary of the UK – Russia trade, three types of impacts are assessed, for both exports and imports:

   a) **Economic impacts:** The reduction in the value of UK trade as a result of the prohibition of affected trade with Russia and the resulting impact to the profitability of UK firms.

   b) **Regulatory impacts:** The cost to UK firms to comply with the proposed measures.

   c) **Administrative and enforcement impacts:** The cost to HM Government of processing licence applications and enforcing these under the updated regulatory framework.

3.1.2 Proportionality approach

22) Rationale and evidence to justify the level of analysis used in the IA (proportionality approach)

a) Given the nature of international events related to Ukraine, this policy was developed against a backdrop of constantly changing developments. In addition, the requirement to keep discussion of potential policy responses secure (to avoid indicating to Russia how we might respond and thus allow them to take advance steps to mitigate the impact on its economy) has limited the extent to which HM Government has been able to consult with external stakeholders.

b) There are challenges associated with estimating the impact of sanctions that are often multilateral in nature. This Impact Assessment focuses on the impact of UK sanctions only.

3.1.3 Data availability

23) Data from the Office of National Statistics (ONS) and from HM Revenue and Customs (HMRC) have been used to undertake an assessment of the potential economic costs and benefits of the proposed sanctions outlined in the preferred policy option.[1] These data are not always directly comparable: ONS data are recorded on a balance of payments basis and reflect a change of ownership during the transaction; HMRC data are more granular and recorded on a physical movement basis. HMRC data are used for goods related sanctions, whilst ONS data are used for services.

24) We have seen substantial reductions in UK-Russia trade since the beginning of the invasion, some of which will be as a direct result of existing sanctions measures, whilst some will be as a result of businesses self-sanctioning and ceasing activities in Russia. Recent ONS analysis shows that UK imports from Russia and UK exports to Russia have both seen large falls post-invasion.

25) The ONS analysis shows that UK imports of goods from Russia were £33m in June 2022, the lowest level since records began in January 1997 and 97% lower than the monthly average over the 12 months to February 2022 (£985m). Similarly, UK goods exports to Russia were £83m in June 2022, £168m (66.9%) lower than the monthly average over the 12 months to February 2022 (£251m). This is summarised in Table 1 below.

Table 1: Total value of UK goods trade with Russia, June 2022 compared to the average monthly value pre-invasion, £m

Trade flow	Average monthly Mar 2021-Feb 2022 (pre-invasion)	June 2022 (post-invasion)	Change
Imports	985	33	-97%
Exports	251	83	-67%

Source: ONS, The impact of sanctions on UK trade with Russia: June 2022.
https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/articles/theimpactofsanctionsonuktradewithrussia/june2022

26) The economic sanctions already imposed are considered likely to have driven these falls in trade with Russia, with UK traders self-sanctioning another likely factor. It is not known yet if this trend will continue or how long it would last in the absence of action from HM Government. Hence this assessment focuses on the costs and benefits of the measures in this Statutory Instrument with an indicative assessment of the marginal changes based on 2021 levels of trade.

[1] HMRC Overseas Trade Statistics: https://www.uktradeinfo.com/trade-data/overseas/
Office of National Statistics (ONS): UK total trade data (seasonally adjusted).
https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/uktotaltradeallcountriesseasonallyadjusted

27) Services data are less timely, the latest ONS trade in services data at country level by service type are available to Quarter 1 2022, but sanctions were imposed from late February 2022. However, a downward trend is expected as a result of self-sanctioning.

3.1.4 Assessment period

28) The standard period for assessing the economic impact of regulatory measures is 10 years. However, given the unpredictability of the situation which has led to this package of measures being proposed, it is impossible and would be unwise to put a time limit on how long these measures might or should remain in effect. In line with the previous sanctions package Impact Assessments the appraisal period chosen for this assessment is the nine years 2022 to 2030 inclusive, to align with the end-date of the projections presented in the Global Trade Outlook (GTO).[2] Although this Impact Assessment, like the Impact Assessment for the previous package, replaces the GTO projections (which were published prior to the invasion) with the IMF's WEO April 2022 projections (which incorporate the IMF's views on the early stages of the conflict), we retain this timeline so as to maintain consistency with the Impact Assessments published on similar measures that have been previously announced.[3] For similar reasons the appraisal incorporates the full 2022 year, even though the invasion started at the end of February and we are now part way through 2022.

3.1.5 Commodity and service classifications and statistical threshold

29) While the operationalisation of the legislation will not necessarily be on the basis of commodity codes, commodity codes have been used to proxy the value of goods trade that may be disrupted. The true value may differ from these estimates. For the purposes of the analysis, the relevant commodity codes, when possible to the 8-digit Combined Nomenclature (CN8) level for each product, have been identified. However, due to the specificity of the items under consideration, even these granular commodity codes capture some items that may fall outside the scope of policy. Codes that were in scope for previous Statutory Instruments are assumed to have zero import or export value. This analysis has been undertaken based on trade figures that follow Harmonised System (HS) 2017 goods classification nomenclature, as that was the nomenclature in effect in 2021. There may be some limited variation in values under an HS 2022 goods classification nomenclature, which entered into force in January 2022.[4]

30) The statistical threshold for recording a customs declaration is defined in UK legislation as £873 (in value) or 1,000kg (in net mass). Transactions below these thresholds may not be recorded in the relevant data sources. As such, some goods transactions below these thresholds will not appear in the data 2021 trade data used for this analysis.

31) The operationalisation of measures facing service sectors is based on various definitions, including customs procedure codes (CPC) and Extended Balance of Payments Services classification (EBOPS) codes. In line with available data on trade in services, 4-digit EBOPS codes have been used to assess the value of services trade disrupted within these sectors, however some activities not in scope of these sanctions, such as audit will be captured within these estimates, therefore estimated impacts may overstate the volume of exports within areas targeted by these measures.

3.1.6 Methodology note on calculations on Net Present Social Value for export measures

32) The following assumptions and methodology were followed to develop a Net Present Social Value:

[2] Department for Trade and Industry (September 2021), Global trade outlook – September 2021 report, https://www.gov.uk/government/publications/global-trade-outlook-september-2021-report
[3] For example the Russia (Sanctions) (EU Exit) (Amendment) (No. 8) Regulations 2022 available here https://www.legislation.gov.uk/uksi/2022/452/impacts
[4] http://www.wcoomd.org/en/topics/nomenclature/instrument-and-tools/hs-nomenclature-2022-edition/amendments-effective-from-1-january-2022.aspx

a. To estimate how future Russian trade will evolve we use the IMF's WEO April 2022 percentage estimates (which incorporate the IMF views on the impact of the early stages of the conflict) of both the import and export demand projections for Russia. We use the disaggregated "goods only" demand to align with the "goods only" analysis captured in the valuation.

b. Given the Covid-19 pandemic has led to considerable disruption in recent global trade we avoid using past growth rates in Russian demand and instead use projections for the 2022-30 growth rate based on the IMF's forecasts.

c. As the IMF projections only extend to 2027, this growth rate was extended to 2030, using a flat rate of 2%. The 2% rate was based on the IMF's GDP forecast for Russia for the 2022 to 2027 period, and the OECD's GDP forecast for Russia in the 2028 - 2030 period. Together they suggest a broadly flat 2% GDP trend post 2025.

d. The projected growth rates from 2022-2030 act as our central scenario. In order to carry out sensitivity analysis, high and low scenarios were constructed, in line with the approach taken in the Impact Assessment for The Russia (Sanctions) (EU Exit) (Amendment) (No. 11) Regulations 2022 that came into effect on the 15th July 2022. The high scenario is not symmetric to the low scenario. Instead, it is more conservative than a symmetric sensitivity would be (e.g. if we had increased the IMF's estimates for Russian import and export demand by 3.5%). This is based on current expectations of the performance of the Russian economy - which tend to lean towards the downside. For example, the IMF's WEO April 2022 GDP forecasts for Russia indicates an expectation of a sharp economic contraction in 2022; followed by a smaller contraction in 2023; and then a small and broadly flat growth up to 2027.[5]

    i. For the low scenario various estimates of Russian GDP projections from international organisations were used. The highest estimation was the IMF's (expectation of a GDP decrease of 7% in 2022), while the lowest estimation was the Institute of International Finance's 15% drop in Russian GDP in 2022. We took the spread between the two as being 7 percentage points and divided this by 2. We used the value of 3.5% and applied it to the central scenario, to revise the low scenario downwards by 3.5 percentage points.

    ii. For the high scenario we applied a 10% uplift on the central scenario, based on the IMF's forecasts for export and import demand from Russia.

e. This analysis focusses on the various groups of commodity codes identified above. Codes that were wholly or partially in scope for previous Statutory Instruments are assumed to have zero import or export value.

f. Using 2021 trade values for these codes, and the projected central, high and low scenarios growth rates, a series of trade values were calculated for 2022-2030. These were put into the Regulatory Policy Committee's (RPC's) Business Impact Target (BIT) calculator. These trade values have a price base year of 2019, and a present value base year of 2020. 2021 trade data was used as baseline. This approach assumes that UK exports would grow in tandem with the growth in Russian goods import demand; and that UK imports would grow in tandem with Russian exports capacity.

g. The proposed export measures are expected to have an impact on the profitability of UK companies that currently trade with Russia. For the sanctioned commodity codes under the export measures in scope of this package of sanctions, we apply the ONS'

[5] https://www.imf.org/en/Publications/WEO/weo-database/2022/April

profitability gross annual rate of return for the manufacturing sector private non-financial corporations (estimated to be 10.8% in the four quarters up to Q3 2021) to the appraisal period chosen for this assessment 2022 to 2030 inclusive) to calculate an estimate of profit lost.[6] Due to data limitations, the impacts on affected ancillary services have not been quantified.

h. An additional "one-off" cost was added to the year goods export costs, to represent the transition costs. This captures the regulatory impact costs, defined as the cost to UK firms to comply with the proposed measures. The approach taken for goods exports was to see these impacts as primarily a one-off familiarisation cost with the new regulations. We used the RPC's note on implementation costs for guidance.[7] The calculations assume that one hour is required for this familiarisation per company; we then multiply the number of traders exporting or importing to Russia on the commodity codes covered by the sanctions by the average UK wage for one hour (based on the ONS median weekly pay in 2021, rebased to 2019 prices).[8] The calculations also assume a 35 hour weekly number of hours worked. This approach produces a combined regulatory impact value for all exporters affected by this Statutory Instrument. These values were taken as the entire regulatory impact cost and implemented as an upfront cost applied to businesses that export and import in 2022 only. Please note that due to data limitations, these estimates do not include service providers, as data on the number of firms providing services to Russia are not available. As such, this cost estimate should be considered a likely underestimate.

i. The initial 2021 trade figures are based on a nominal estimation. The nominal 2021 figures are used as a starting point upon which the IMF's WEO April 2022 real rates for expected Russian import and export demand are applied.

j. We selected the default discount rate of 3.5%, as suggested in HMTs green book. The annuity rate for the NPSV calculation is calculated using the 3.5% discount rate to calculate the discount factor through the appraisal periods and adding the inverse of the discount factor year on year.

3.1.7 Methodology note on calculations on Net Present Social Value for import measures

33) Import measures in scope for this package of sanctions have not been monetised to generate a Net Present Social Value.

34) The nature of the import prohibitions imposed by these measures requires a more nuanced assessment than that associated with export restrictions. Given this, qualitative assessment rather than quantitative assessment for these measures has been provided for each respective import measure.

3.2 UK – Russia trade

3.2.1 UK-Russia trade before the 2022 Russian full-scale invasion of Ukraine

[6] ONS Profitability of UK companies: October to December 2019. ONS Profitability of UK companies: October to December 2019.
[7] https://www.gov.uk/government/publications/rpc-short-guidance-note-implementation-costs-august-2019
[8] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2021.

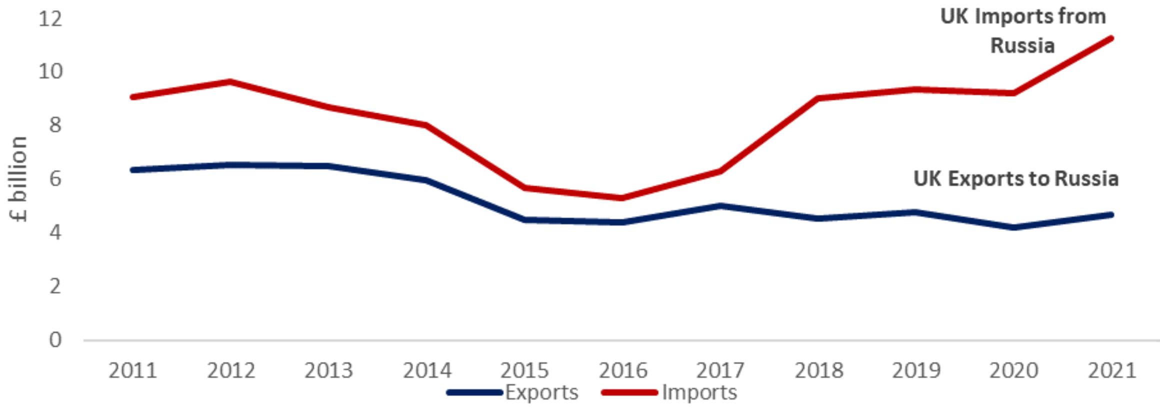
35) The figures below illustrate Russian levels of trade prior to the onset of the current escalation of the conflict in February 2022:[9]

a. As a destination for global imports, the Russian economy was worth $469.7 billion in 2013. Following subsequent rounds of sanctions, Russia's imports of goods and services from the world declined to less than $300 billion in 2015. They then recovered gradually, reaching $352.9 billion prior to the onset of the Covid-19 pandemic.

b. As a source of global exports, the Russian economy was worth $592.0 billion in 2013. Following subsequent rounds of sanctions, Russia's exports of goods and services to the world declined to less than $400 billion in 2015 and then increased subsequently, reaching $482.5 billion prior to the onset of the Covid-19 pandemic.

36) UK trade with Russia has been relatively volatile over the last 10 years. UK exports to Russia fell by over 25% between 2014 and 2015, from just under £6.0 billion to £4.5 billion, when previous sanctions were implemented. Prior to the onset of the pandemic, UK exports to Russia had increased slightly to £4.8 billion. Following a drop in 2020, UK exports to Russia amounted to £4.7 billion in the four quarters to the end of Q4 2021, making it the UK's 26th largest export market accounting for 0.7% of total UK exports. Of all UK exports to Russia in the four quarters to the end of Q4 2021, £3.0 billion (63.0%) were goods and £1.7 billion (37.0%) were services.[10]

Figure 1: UK Total Trade with Russia, £ Billion



Source: Office of National Statistics (ONS): UK total trade data (seasonally adjusted).

Figure 2: UK Trade in Goods and Services with Russia, £ Billion

[9] DIT Trade and Investment Factsheets, based on United Nations Conference on Trade and Development (UNCTAD) data sources for trade: Goods and Services (BPM6): Exports and imports of goods and services, annual.
[10] Office of National Statistics (ONS): UK total trade data (seasonally adjusted). https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/uktotaltradeallcountriesseasonallyadjusted

Source: Office of National Statistics (ONS): UK total trade data (seasonally adjusted).

37) Since 2014, the UK market share of Russian import demand has fallen by 0.6 percentage points, from 2.3% to 1.8% in 2020. This was driven by a decrease in the UK's share of Russian imports of goods, which fell by 0.7 percentage points.[11] Over the same period, Russia's share of UK imports has increased, albeit marginally: in 2021, Russia accounted for 1.7% of UK imports[12], compared to 1.4% in 2014.

38) It is estimated that around 94,500 UK workers were supported by exports to Russia in 2018, representing 0.3% of total UK employment (or 1.4% of total UK employment supported by exports).[13] Conversely, it is estimated that around 356,400 Russian workers were supported by exports to the United Kingdom in 2018.

3.2.2 UK-Russia trade following the 2022 full-scale Russian invasion of Ukraine

39) Recent ONS analysis shows that UK trade with Russia has notably declined since the beginning of the full-scale invasion in February 2022. The analysis shows that both UK imports from Russia and UK exports to Russia have both seen large falls post-invasion. The economic sanctions already imposed are considered likely to have driven these falls in trade with Russia, with UK traders self-sanctioning considered to be another likely factor.

40) UK imports of goods from Russia were £33m in June 2022, the lowest level since records began in January 1994, and 97% lower than the monthly average over the 12 months to February 2022 (£985m). Within this there were no imports of fuels for the first time since records began. Figure 3 below shows total UK goods imports from Russia January 2021 to June 2022.

41) Imports of all broad commodity groups had seen notable reductions relative to the monthly average over the 12 months to February 2022. Figure 4 shows a breakdown of changed in UK imports from Russia by detailed commodity types for the top 25 by value. Most of these decreased, many by over 90%, and there were no imports of fuels. The increases in import

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[11] UK market share: imports from the UK as a percentage of all the goods and services imported by Russia. These market share statistics are derived by the Department for International Trade using publicly available data from the ONS (value of imports from the UK) and UNCTAD (total imports) and are converted from US Dollars to Pounds Sterling using the annual average spot exchange rate (Bank of England). Latest market share information can be found on gov.uk: https://www.gov.uk/government/collections/trade-and-investment-factsheets

[12] Office of National Statistics (ONS): UK total trade data (seasonally adjusted), accessed in July 2022, available from: https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/uktotaltradeallcountriesseasonallyadjusted

[13] OECD (2021) Trade in Employment (TiM) 2021 ed, available from: https://stats.oecd.org/Index.aspx?DataSetCode=TIM_2021# [Accessed 24/05/2022]. These figures include both those whose jobs are supported directly by exports to Russia (I.e. in the export industry) and those whose jobs are supported indirectly by exports to Russia (I.e. in supply chains).

values for some commodity types were small in value and are considered likely to have been driven by increased prices and additional import duties.

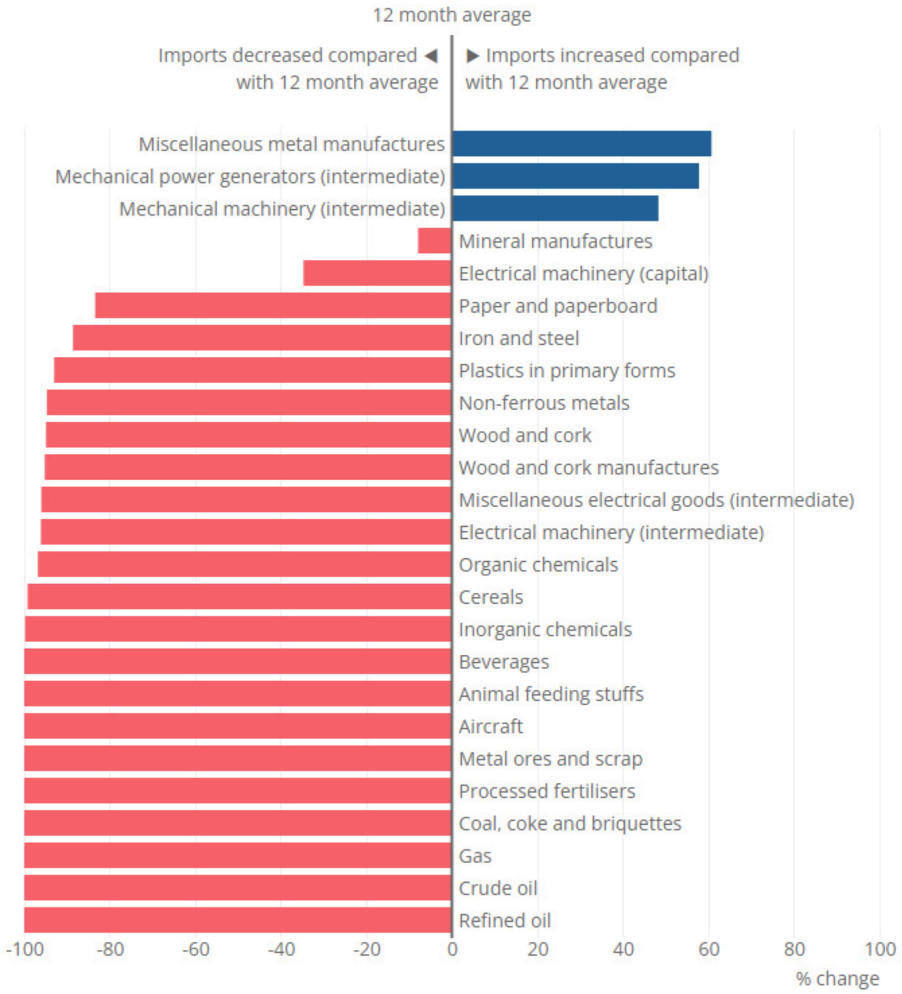
42) UK goods exports to Russia were £83m in June 2022, £168m (66.9%) lower than the monthly average over the 12 months to February 2022 (£251m). Exports of most commodity types to Russia had fallen notably by June 2022, with machinery and transport equipment decreasing by £118m (91.3%).

43) Chemicals were the only commodity where exports increased over this period, driven by a 61.8% increase in exports of medicinal and pharmaceutical products (exempt from sanctions). Figure 5 shows total UK goods exports January 2021 to June 2022. Figure 6 shows the breakdown by detailed commodity type for the top 25 by value.

Figure 3: Total value of UK goods imports from Russia, January 2021 to June 2022

Source: ONS, The impact of sanctions on UK trade with Russia: June 2022.

Figure 4: Percentage change in the value of UK imports from Russia by detailed commodity type, for the top 25 by value, between June 2022 and the monthly average March 2021-February 2022

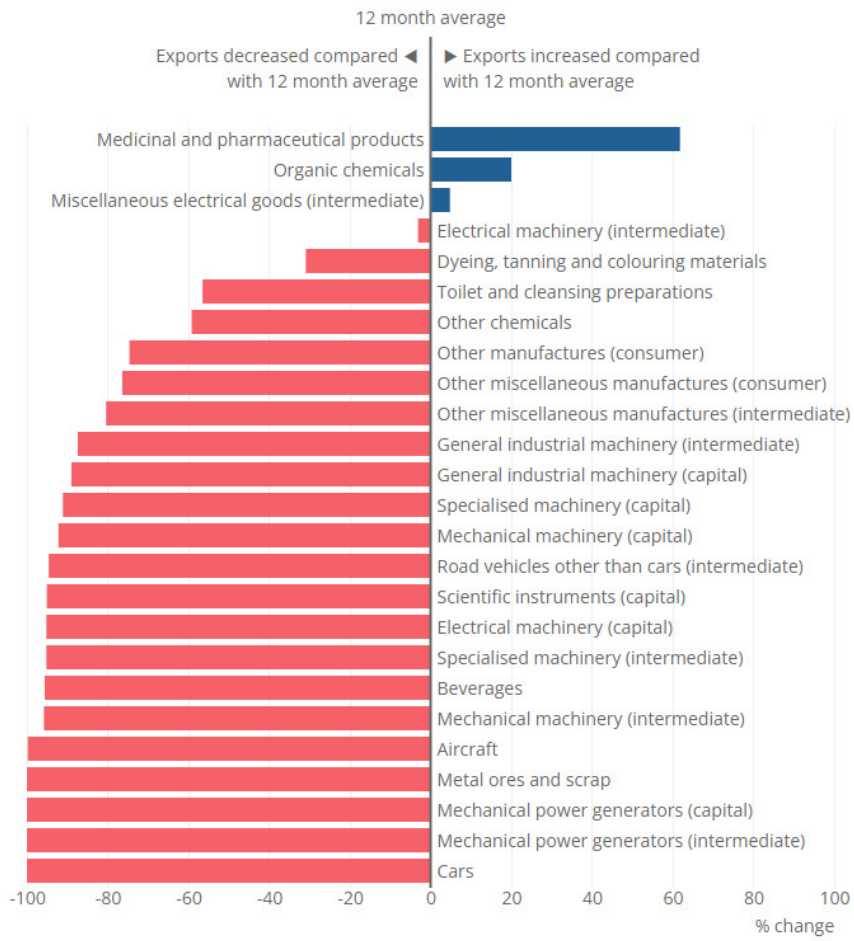


Source: ONS, The impact of sanctions on UK trade with Russia: June 2022.

Figure 5: Total value of UK goods exports to Russia, January 2021 to June 2022

Source: ONS, The impact of sanctions on UK trade with Russia: June 2022.

Figure 6: Percentage change in value, between June 2022 and the monthly average March 2021-February 2022, of UK goods exports to Russia by detailed commodity type, top 25 by value



Source: ONS, The impact of sanctions on UK trade with Russia: June 2022.

3.2.3 UK nations and regions trade with Russia

44) The UK exported around £2.8bn in goods to Russia in 2021.[14] Table 2 shows a breakdown of these exports across UK nations and regions. The West Midlands had the greater relative share of the exports to Russia – 19% of all the UK goods exports to Russia in 2021 came from the region. 9% of the UK businesses exporting to Russia in that year were located in the region as well.[15] The South East had the greatest share of businesses exporting to Russia – 18% of all the UK exporters to the country in 2021 were located in the region.

45) The UK exported £1.7bn in services to Russia in 2021[16]. A breakdown of services trade into UK regions and nations is not available for specific destinations so we cannot assess the geographical distribution of service exports to Russia. At the global level, based on ONS experimental data, in 2020, 48% of all UK service exports were from London, with the South East of England second with 14% of all service exports. Similarly, 50% of UK exports in Professional, scientific and technical activities, which includes accounting, management and

[14] HMRC overseas trade data for 2021, accessed in April 2022, available on https://www.uktradeinfo.com/trade-data/ots-custom-table/
[15] A trader is here defined as a business or private individual uniquely identified via their VAT number. The regional information for each trader and its export value has been identified generally using its registered head office address.
[16] ONS UK trade in services: service type by partner country, non-seasonally adjusted https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/datasets/uktradeinservicesservicetypebypartnercountrynonseasonallyadjusted

business consulting and public relations, came from London, with South East England the second largest region with 19% of exports[17].

Table 2: UK Nations and Regions' goods exports to Russia in 2021[18]

UK Region or Nation	Russia Exports Value	Russia Exports Value (%)	Russia Exporters Population[19]	Russia Exporters Population (%)
West Midlands	£522.7m	19%	459	9%
South East	£445.8m	16%	893	18%
North West	£284.5m	10%	539	11%
East of England	£252.6m	9%	579	11%
London	£175.1m	6%	710	14%
Scotland	£173.4m	6%	289	6%
North East	£170.2m	6%	126	2%
South West	£155.6m	6%	378	7%
East Midlands	£150.3m	5%	359	7%
Yorkshire & the Humber	£143.9m	5%	390	8%
Wales	£109.2m	4%	144	3%
Other[20]	£101.8m	4%	137	3%
Northern Ireland	£52.2m	2%	58	1%
N/A[21]	£40.3m	1%	N/A	N/A

Source: HMRC Regional Trade Statistics, using 2021 figures (https://www.gov.uk/government/statistical-data-sets/regional-trade-statistics-analysis-fourth-quarter-2021). Please note these statistics exclude non-monetary gold, and therefore are not representative of the full list of commodity codes sanctioned.

46) The UK imported an estimated £18bn in goods from Russia in 2021.[22] Table 3 shows a breakdown of these imports across UK nations and regions. 34% of the value of all UK imports from Russia were assigned to London – more than double the share of the next region (the South East). Nevertheless the percentage of the overall number of UK traders importing from Russia is broadly the same across these two regions (16% of these traders are located in London and 17% in the South East).

47) The UK imported £0.8bn in services from Russia in 2021[23]. As for exports, breakdowns of services trade to Russia disaggregated to UK nations and regions are not available. At the global level, based on ONS experimental data, in 2019, 41% of all UK service imports were to London, with the South East of England second with 13% of total imports. 42% of UK exports in Professional, scientific and technical activities, which includes accounting, management and business consulting and public relations, were to London, with the East of England the second largest region with 20% of imports[24].

[17] ONS Subnational Trade in Services
https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/datasets/subnationaltradeinservices
[18] Source: HMRC Regional Trade Statistics, using 2021 figures (https://www.gov.uk/government/statistical-data-sets/regional-trade-statistics-analysis-fourth-quarter-2021).
[19] These data are using the proportion method, where a business will be counted as a fraction in each region they trade based on the proportion of their employees in each region.
[20] Traders not registered to a UK region, including Isle of Man, Channel Islands and non-UK addresses.
[21] Trader details, including registered address, are not provided for these traders.
[22] HMRC overseas trade data for 2021, accessed in April 2022, available on https://www.uktradeinfo.com/trade-data/ots-custom-table/
[23] Office of National Statistics (ONS): UK total trade data (seasonally adjusted).
https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/uktotaltradeallcountriesseasonallyadjusted
[24] ONS Subnational Trade in Services
https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/datasets/subnationaltradeinservices

Table 3: UK Nations and Regions' goods imports from Russia in 2021[25]

UK Region or Nation	Russia Imports Value	Russia Imports Value (%)	Russia Importers Population[26]	Russia Importers Population (%)
London	£2,375.5m	34%	227	16%
South East	£1,087.5m	16%	243	17%
Yorkshire & the Humber	£831.7m	12%	116	8%
North West	£543m	8%	141	10%
Other	£376.4m	5%	53	4%
East of England	£365.9m	5%	160	11%
Wales	£354m	5%	44	3%
Scotland	£331.8m	5%	90	6%
West Midlands	£283.4m	4%	104	7%
South West	£194.4m	3%	98	7%
North East	£116.3m	2%	35	2%
East Midlands	£79.7m	1%	104	7%
Northern Ireland	£58.6m	1%	38	3%
N/A	£5.2m	0%	N/A	N/A

Source: HMRC Regional Trade Statistics, using 2021 figures (https://www.gov.uk/government/statistical-data-sets/regional-trade-statistics-analysis-fourth-quarter-2021). Please note these regional statistics exclude non-monetary gold, and therefore are not representative of the full list of commodity codes sanctioned.

3.2.4 UK trade with Russia by business size

48) In terms of the exposure of the business population to trade with Russia, in 2020, around 3,800 UK VAT-registered businesses exported goods to Russia, down from 5,500 in 2014. Almost 67% of goods exports, by value, came from businesses with over 250 employees. These large firms only accounted for 14% of businesses that exported goods to Russia in 2020, suggesting that this fewer number of firms account for the bulk of high value trade.[27]

49) Tables 4 and 5 illustrate the change from 2014 to 2020 on the number and type of businesses trading with Russia. Tables 6 and 7 cover 2020 only but display a more detailed breakdown of the companies trading with Russia in that year (for example including micro companies, which have 1 – 9 employees).

[25] Source: HMRC Regional Trade Statistics, using 2021 figures (https://www.gov.uk/government/statistical-data-sets/regional-trade-statistics-analysis-fourth-quarter-2021).
[26] These data use the proportion method, where a business will be counted as a fraction in each region they trade based on the proportion of their employees in each region.
[27] HMRC data source for VAT-registered businesses trading goods: HMRC Trade in Goods by Business Characteristics. https://www.gov.uk/government/collections/uk-trade-in-goods-statistics-by-business-characteristics

Table 4: UK exports of goods to Russia by firm size

Business Size (No. of Employees)	Number of businesses		Percentage change between 2014 and 2020		Share of business exporting goods to Russia in 2020
	2014	2020	Number of business exporting goods to Russia	Value of goods exports to Russia	
0 to 49	3,056	1,970	-36%	-83%	52%
50 to 249	1,340	985	-26%	-31%	26%
250 +	713	547	-23%	-34%	14%
Unknown	342	280	-18%	-16%	7%
Total	5,451	3,782	-31%	-47%	100%

Source: HMRC UK trade in goods by business characteristics. Experimental estimates of Trade in Goods data matched with registered Businesses from the Inter-Departmental Business Register (IDBR) for Exporters. Excludes unregistered businesses. https://www.gov.uk/government/collections/uk-trade-in-goods-statistics-by-business-characteristics#historical-releases

Table 5: UK Imports of goods from Russia by firm size

Business Size (No. of Employees)	Number of businesses		Percentage change between 2014 and 2020		Share of business importing goods to Russia in 2020
	2014	2020	Number of business importing goods to Russia	Value of goods imports to Russia	
0 to 49[28]	467	626	34%	*	50%
50 to 249	204	252	24%	19%	20%
250 +	225	236	5%	301%	19%
Unknown	55	128	133%	*	10%
Total	951	1,242	31%	196%	100%

Source: HMRC UK trade in goods by business characteristics. Experimental estimates of Trade in Goods data matched with registered Businesses from the Inter-Departmental Business Register (IDBR) for Exporters. Excludes unregistered businesses. Note some data is supressed due to disclosure issues. https://www.gov.uk/government/collections/uk-trade-in-goods-statistics-by-business-characteristics#historical-releases.

50) Over half of businesses exporting goods to Russia in 2020 employed fewer than 50 employees. Since the imposition of sanctions on Russia in 2014, this is also the group which has already experienced the greater proportional reduction in number of businesses exporting to Russia and greater relative decline in value of goods exports to Russia. The proportion of value of goods trade accounted for by businesses with fewer than 50 employees has already fallen from 29% in 2014 to 9% in 2020.

51) Around half of businesses importing goods from Russia in 2020 also employed fewer than 50 employees. Unlike exporters, the total number of UK importers importing from Russia has increased between 2014 and 2020, although given disclosure issues it is not possible to determine the growth in the number of trading firms by size.

[28] * Suppressed for confidentiality.

Table 6: Percentage of export value and number of goods exporters to Russia in 2020 by business size[29]

Business Size[30]	Russia Exports Value	Russia Exports Value (%)	Russia Exporters Population	Russia Exporters Population (%)
Large	£1,436.8m	67%	547	14%
Medium	£330.6m	15%	985	26%
Small	£144.1m	7%	1,185	31%
Micro	£58.3m	3%	772	20%
Zero	£0.1m	0%	13	0%
Unknown[31]	£175.8m	8%	280	7%

Source: HMRC Trade in Goods by Business Characteristics, using 2020 figures.

52) As Table 6 illustrates, although almost 70% of the value of the UK goods exports to Russia in 2020 originated from large (250+ employees) companies, more than half of the companies exporting to Russia were either small (10 to 49 employees – 31% of all companies exporting) or medium (50 to 249 employees – 26% of exporters population).

53) The concentration of the value of the trade around large companies is even larger in the imports trade. 91% of all the value of the goods imports from Russia in 2020 associated with large businesses.

54) Equivalent data are not available for services trade with Russia. In 2021, 99.4% of accounting, management and business consulting and public relations firms were small and medium sized businesses, these accounted for 56.5% of all employment within these sectors[32].

Table 7: Percentage of import value and number of goods importers from Russia in 2020 by business size[33]

[29] Source: HMRC Trade in Goods by Business Characteristics, using 2020 figures (https://www.gov.uk/government/statistical-data-sets/uk-trade-in-goods-by-business-characteristics-2020-data-tables).
[30] Business size groups are based on IDBR employee data and represent the size of the business based on its number of employees: (0='Zero Employees', 1 to 9='Micro', 10 to 49='Small', 50 to 249='Medium', 250+='Large').
[31] Trader details, including business size, are not provided for these traders.
[32] Business population estimates 2021 (https://www.gov.uk/government/statistics/business-population-estimates-2021). These data refer to the UK business population, which may not be comparable to the UK exporting business population.
[33] Source: HMRC Trade in Goods by Business Characteristics, using 2020 figures (https://www.gov.uk/government/statistical-data-sets/uk-trade-in-goods-by-business-characteristics-2020-data-tables).

Business Size	Russia Imports Value	Russia Imports Value (%)	Russia Importers Population	Russia Importers Population (%)
Large	£17,407m	91%	236	19%
Medium	£522.9m	3%	252	20%
Small	£222.7m	1%	272	22%
Micro	£340.6m	2%	342	28%
Zero	£0.1m	0%	12	1%
Unknown	£549m	3%	128	10%

Source: HMRC Trade in Goods by Business Characteristics, using 2020 figures.

3.3 Impacts specific to export measures

3.3.1 Economic impacts of export measures aimed at Russia

55) This section of the Impact Assessment covers the wider context of the UK exports to Russia in the products covered by this Statutory Instrument. For the estimates of the Net Present Social Value (NPSV) and Equivalent Annual Net Direct Cost to Business (EANDCB) please see section 3.5.2 (Aggregated monetised impacts of proposed measures).

Trade impacts related to goods export measures

56) Based on 2021 trade flows, the additional value of UK goods exports to Russia covered by the proposed measures in the legislation is £201m, representing 7% of all UK goods exports to Russia in 2021[34].

57) Table 8 shows, based on 2021 trade values, the annual value of UK exports to Russia of the commodity codes covered by the proposed measures. With the exception of 'Russia's vulnerable goods list', the measures cover commodity codes that were in scope of previous Statutory Instruments, which are assumed to have zero export value.

Table 8: Additional value of UK goods exports to Russia covered by the proposed measures (based on 2021 trade flows)

Measure	Value of goods exports to Russia	Proportion of goods exports to Russia relative to total goods exports to Russia
Additional export bans	£201.1m	7.2%

Source: DIT analysis based on HMRC data on UK exports to Russia in 2021. Commodity codes that were in scope for export prohibitions in previous Statutory Instruments are assumed to have zero export value.

58) The value of UK exports of any ancillary services that would be affected by these measures has not been estimated here due to data limitations. Services data is available at an aggregated level and the identification of trade flows specific to affected ancillary services is not possible. The estimated costs in this Impact Assessment are therefore underestimates.

[34] HMRC Overseas Trade Statistics: https://www.uktradeinfo.com/trade-data/overseas/

59) Table 9 presents details on the regional distribution of the traders that exported to Russia in these codes in 2021. Overall, 1,197 traders exported goods from the UK to Russia in the sanctioned codes in 2021. This includes exports of codes sanctioned in this package that have previously been wholly or partially sanctioned. Some of these traders may also export other goods wholly or partially sanctioned in previous measures.

60) The West Midlands is the region most impacted in terms of the value of exports to Russia in the sanctioned codes – worth £68.9m, 31% of the total, in 2021.The South East is the region most impacted in terms of the number of traders who exported to Russia in the sanctioned codes in 2021 – with 251 traders making up 21% of the total.

61) Table 10 presents details on the business size of the traders that exported to Russia in these codes in 2021.

62) There were more Small sized businesses (417) who exported to Russia in the sanctioned codes in 2021, than those of other sizes. However, Large businesses made up the largest share of the value of UK exports to Russia in the sanctioned codes – worth £133.5 million (59% of the total) in 2021 - even though they only accounted for 13% of traders impacted.

Table 9: Export Value and Number of Exporters to Russia in 2021 in commodity codes partially or wholly sanctioned, by region[35,36]

UK Region or Nation	Value (£m)	Share of value (%)	No. of Traders	Share of number of traders (%)
West Midlands	£68.9m	31%	136	11%
South East	£31.2m	14%	251	21%
North West	£16.1m	7%	110	9%
East of England	£12.9m	6%	155	13%
London	£3.7m	2%	65	5%
Scotland	£26.7m	12%	79	7%
North East	£8.7m	4%	27	2%
South West	£14.0m	6%	100	8%
East Midlands	£16.3m	7%	96	8%
Yorkshire & the Humber	£12.1m	5%	87	7%
Wales	£3.9m	2%	37	3%
Other	£1.7m	1%	23	2%
Northern Ireland	£6.9m	3%	18	2%
N/A[37]	£1.7m	1%	13	1%

Source: derived from analysis of HMRC microdata on 2021 trade data.

[35] When a small number of traders or high concentration of trade in a few traders is associated with a category, providing the value of the trade in that category could be disclosive. In other words it would be possible to identify the company using the information on the table. When that is the case an asterisk was used instead of the value of exports.
[36] Source: derived from analysis of HMRC microdata on 2021 trade data.
[37] Trader details, including registered address, are not provided for these traders.

Table 10: Export value, business size and number of exporters to Russia in 2021 in commodity codes covered in this regulation [38,39]

Business Size	Value (£m)	Share of value (%)	No. of Traders	Share of number of traders (%)
Large	£133.5m	59%	155	13%
Medium	£41.8m	19%	353	29%
Small	£31.2m	14%	417	35%
Micro	£10.2m	5%	210	18%
Zero[40]	*	*	*	*
Unknown[41]	*	*	*	*

Source: derived from analysis of HMRC microdata on 2021 trade data.

3.3.2 Regulatory impact of export measures aimed at Russia

63) Regulatory impacts are defined as the cost to UK firms to comply with the proposed measures. As the measures are a set of bans on imports and exports the regulatory cost is seen as primarily a one-off familiarisation cost with the new regulations

64) The Impact Assessment FCDO2201 [The Russia (Sanctions) (EU Exit) (Amendment) (No.3) Regulations 2022] outlined an estimated regulatory cost for the proposed measures in that Statutory Instrument.[42] To reach that estimate a number of assumptions were used:

a. That the regulations proposed allowed for certain exceptions.

b. UK business would need to apply for additional licences when exporting.

c. Annual average of all types of licences – including licences that were both issued and refused - for exports to Russia.

d. Estimated cost of application for a licence.

65) The total regulatory cost of the preferred option was the product of the number of additional licences processed annually and the unit cost of an individual licence.

66) The set of proposed measures in this Statutory Instrument are also subject to exceptions and licences.[43] But they are expected to be minimal (see section 3.3.3) and non-significant.

67) To calculate regulatory impacts this Impact Assessment based its approach on the RPC's guidance on implementation costs.[44] Familiarisation costs - incorporating the potential dissemination of information throughout the business, IT system changes or possible training costs - are estimated.

[38] Business size groups are based on IDBR employee data and represent the size of the business based on its number of employees: (0='Zero Employees', 1 to 9='Micro', 10 to 49='Small', 50 to 249='Medium', 250+='Large').
[39] Source: derived from analysis of HMRC microdata on 2021 trade data.
[40] * Suppressed for confidentiality.
[41] Trader details, including business size, are not provided for these traders.
[42] https://www.legislation.gov.uk/uksi/2022/195/impacts.
[43] These exceptions and licences are in addition to the statistical threshold below which transactions may be aggregated in UK trade statistics. This statistical threshold is currently defined in legislation as '£873 (in value) or 1,000kg (in net mass). https://www.uktradeinfo.com/news/statistical-threshold-sterling-figure-to-apply-for-2021/.
[44] https://www.gov.uk/government/publications/rpc-short-guidance-note-implementation-costs-august-2019

68) In line with the previous sanctions package Impact Assessments it is assumed that one hour will be required for familiarisation with the sanctions per company exporting products to Russia under the commodity codes covered by these measures. This relatively small amount of time also reflects UK companies' actual behaviours – as Table 1 suggests many UK companies are self-embargoing their trade with Russia. Factors such as the chilling effect described in section 3.5.1 also contribute to the expectation that UK – Russia trade will be significantly reduced if compared to 2021 and we assume that many companies expect that the products they trade with Russia could be sanctioned soon if that has not already taken place.

69) Regulatory impacts are calculated by multiplying the number of traders exporting goods to Russia in 2021 on the commodity codes covered by the measures covered in this Impact Assessment (over 780 by the UK average wage for one hour (based on the ONS' provided median weekly pay in April 2021 - £611 – rebased to 2019).[45,46] A 35-hour weekly number of hours worked is assumed.

70) Additionally, a 22% uplift is added to the labour cost mentioned above. Labour costs consist mainly of wage and salaries but also non-wage labour costs, such as employers' National Insurance contributions. This uplift is included to ensure that the full cost to the employer of an employee's time is accounted for.

71) Overall regulatory costs for the group of goods exporters affected by these measures are estimated to be £26,591.

72) It was not possible to identify the number of ancillary services exporters affected by these measures, so an equivalent regulatory cost has not been identified. As such, the regulatory costs captured in this Impact Assessment is an underestimate. It is not expected that these costs will be significant.

3.3.3 Administrative and enforcement impacts of export measures aimed at Russia

73) Administrative and enforcement impacts are defined as the cost to HM Government of processing licence applications and enforcing these under the updated regulatory framework.

74) The set of measures in this Statutory Instrument are subject to exceptions and licensing grounds.[47] They are necessary to reduce unintended consequences, bring the presumed impact on the UK of the associated sanctions measures into tolerable bounds, support wider HM Government interests overseas and mitigate risks of divergence with partners. Further information on the licensing grounds and exceptions can be found in the statutory guidance.[48]

75) Nevertheless, the cost of processing and enforcing potential licences for the set of export prohibitions proposed in this set of measures – or the associated exemptions – is not expected to be significant.

76) Primarily this is because HMG does not expect a large number of applications for licences on the export measures covered in this Statutory Instrument.

77) Rationale for this expectation include:

a. As Table 1 (recent ONS analysis of the impact of sanctions on UK – Russia trade) indicates, there has been a significant reduction in UK trade with Russia since the invasion – which also decreases the number of licences that would be required. Reasons

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[45] Source for number of traders: derived from analysis of HMRC microdata on 2021 trade data.
[46]https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2021
[47] These exceptions and licences are in addition to the statistical threshold below which transactions may be aggregated in UK trade statistics. This statistical threshold is currently defined in legislation as '£873 (in value) or 1,000kg (in net mass). https://www.uktradeinfo.com/news/statistical-threshold-sterling-figure-to-apply-for-2021/.
[48] https://www.gov.uk/government/publications/russia-sanctions-guidance/russia-sanctions-guidance.

for this reduction in trade include companies' self-embargos and the "chilling effect" (see section 3.5.1).[49]

b. If such requests are received it is expected that they would be very specific and limited in number. E.g. a licence to trade a particular chemical.

c. It is expected that few applications will be received for licences on humanitarian grounds.

78) Nevertheless, it is possible that there may be a learning cost for companies that decide to apply for exports licences against the set of proposed measures, as such companies may have limited experience in licensing. Such cost would be incorporated in the one-off regulatory impact outlined in section 3.3.2.

79) There may also be some additional from the enforcement of the application of the measures. However, given the fall in UK-Russia trade, including as a result of existing sanctions and self-sanctioning, and the level of existing sanctions the additional enforcement cost from these measures is not expected to be significant.

3.3.4 Additional factors to consider on export measures

80) The loss of revenue from trade in affected ancillary services is not captured in monetised costs of the Impact Assessment due to data limitations. Services data are available at an aggregated level and the identification of trade flows specific to affected ancillary services is not possible. The estimated costs in this Impact Assessment are therefore underestimates.

3.4 Impacts specific to import measures

81) Similar to section 3.3 (Impacts specific to export measures) this segment covers the context of the UK imports from Russia in the products covered in this set of measures. Section 3.5.2 presents the aggregated (exports and imports) impacts.

82) As detailed in section 1.3.2, there are three import measures in scope for this package of sanctions. The Statutory Instrument introduces a prohibition on the import into the UK, acquisition, or provision of ancillary services associated with liquified natural gas (LNG) and additional revenue raising products (spirits and liqueurs (including vodka), and residue/food waste products, all of which are also subject to a prohibition on the direct or indirect supply or delivery of said goods from a place in Russia into the UK) that originate in or are consigned from Russia. The third measure extends the import ban the UK has already introduced on gold originating in Russia and exported from Russia to apply to (i) gold which has been processed in a third country; and (ii) additional gold products (articles of jewellery and goldsmiths' or silversmiths' wares and their parts that are gold, contain gold or are metal clad with gold; with an exception for personal use).

83) None of the import-related measures covered in this impact assessment are aimed at non-government controlled Ukrainian territories (NGCUT). There is already an import ban in place on all imports from NGCUT introduced via the Russia (Sanctions) (EU Exit) (Amendment) (No. 7) Regulations 2022.[50]

3.4.1 Economic impacts of ban on goods imports

84) This section of the Impact Assessment covers the wider context of UK imports of the products covered by this Statutory Instrument from Russia. For the estimates of the Net Present Social

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[49] It is worth noting that the primary cost of these measures to UK businesses will be the opportunity cost of future profit they may have made from the export or import of goods and services covered in these measures. This level of profit loss is reduced by self-sanctioning and the chilling effect. Therefore it is reasonable to expect that the NPSV figures presented in this Impact Assessment may be an overestimate.

[50] https://www.legislation.gov.uk/uksi/2022/395/contents/made

Value (NPSV) and Equivalent Annual Net Direct Cost to Business (EANDCB) please see section 3.5.2 (Aggregated monetised impacts of proposed measures).

85) Based on 2021 trade flows, the total additional value of UK goods imports from Russia prohibited by the proposed measures in the legislation is £958m, representing 5% of all UK goods imports from Russia in 2021[51]. Of this, around £33m (the additional revenue raising goods and additional gold products) were already partially sanctioned with additional tariffs of 35 percentage points on imports of these products of Russian origin, but will now be prohibited by legislation. The remaining £925m is from UK imports of Russian liquefied natural gas (LNG), which have not previously been fully or partially sanctioned.

86) LNG represents the majority of the trade coverage of these measures which, as an energy import, requires a more nuanced assessment than that associated with export restrictions. As such, it is expected that the value of the trade flow may not be an accurate estimation of the economic cost of the restriction.

87) Due to the high value, but erratic nature of energy and gold imports, the import value of these goods do not provide an accurate estimation of the economic cost of the restriction, unlike the export measures. UK imports of the additional gold products from Russia are themselves low value, and a small share of total UK gold imports from Russia but are, similarly, very erratic. Additionally, UK imports of the additional gold products from Russia are already partially sanctioned with additional tariffs of 35 percentage points. The bans on UK imports from Russia of LNG and additional gold products therefore require a more nuanced assessment than that associated with the export restriction, and so are non-monetised. Instead, in line with the approach taken in the previous Impact Assessment, a qualitative assessment is provided.

Table 11: Additional value of UK goods imports from Russia prohibited by the proposed measures (based on 2021 trade flows)

Measure	Value of goods imports from Russia	Proportion of goods imports from Russia relative to total goods import from Russia
Liquefied Natural Gas (LNG)	£924.7m	5.1%
Additional revenue creating goods	£32.6m	0.2%
Additional gold products[52]	£0.2m	0.0%

Source: DIT analysis using HMRC data (2021). Commodity codes that were in scope for import prohibitions in previous Statutory Instruments are assumed to have zero import value.

88) The impacts of the import prohibitions on the additional revenue creating products are also more nuanced and a qualitative rather than quantitative assessment is therefore also provided for these measures. The UK has low dependency on Russia for supply of these products, which are also expected to be substitutable with limited costs associated with pivoting to alternatives. Imports of these products from Russia were also already partially sanctioned before the application of these measures, with additional tariffs of 35 percentage points on imports of these products of Russian origin. The additional tariffs add an additional cost when importing these products and could result in reduced UK imports of these products from Russia. The impact of additional tariffs will vary between products according to differences in

[51] HMRC Overseas Trade Statistics: https://www.uktradeinfo.com/trade-data/overseas/

[52] The value of UK imports from Russia of the additional gold products has been estimated using UK imports from Russia of the commodity codes HS 7113 and HS 7114. The measures prohibit the import of the subset of these commodity codes: products within these codes that are gold, contain gold, or are metals clad with gold. Data on UK imports of this subset specifically is not available.

the sensitivity of demand to changes in price and the availability of alternative sources of supply. The additional tariff rate could be prohibitively high for some products, for example for products where there is high price sensitivity of demand are many alternatives to Russia for supply. If the additional tariffs, on top of self-sanctioning, have already resulted in a high degree of switching to alternative suppliers, this reduces the likelihood of notable costs resulting from these measures beyond those that have already been taken on or that have been taken on by companies voluntarily.

89) A qualitative assessment of each package is provided separately below, with an overview of combined impacts.

<u>Economic impacts related to Liquefied Natural Gas (LNG) import measures</u>

Market and consumer impacts

90) This measure forms part of a wider set of actions by the UK and partner countries to reduce purchases of, and reliance on, Russian gas. The UK will be joining the US in banning the import of Russian LNG, which the US banned via an Executive Order signed in March 2022. The EU also plans to reduce its reliance on Russia for the supply of natural gas, while Russia has also disrupted the pipeline supply to Europe.

91) There are no gas pipelines directly linking the UK with Russia and the UK imports gas from the European gas grid. The only gas that the UK can directly import from Russia is in the form of LNG.

92) LNG is a globally traded commodity and Russia is the world's fourth largest LNG supplier, providing approximately 10.3%[53] of global LNG exports in 2021, when Russian LNG made up around 6% of UK gas imports and 3.7% of total UK gas supply. On average over the last 5 years (2017-2021), Russian LNG has accounted for approximately 2% of UK gas supply (see Table 12).

Table 12: UK gas supply and imports from the world and Russia 2017-2021

Year	Supply (mcm)	Imports (mcm)	Russian imports (mcm)	Russian imports/Supply	Russian imports/imports
2017	89,256	47,156	99	0.1%	0.2%
2018	87,987	47,160	1530	1.7%	3.2%
2019	86,118	46,732	2888	3.3%	6.1%
2020	83,351	43,918	2279	2.7%	5.2%
2021	83,919	51,350	3121	3.7%	6.0%
5-year average	86,126	47,263	1983	2.3%	4.2%

Source: BEIS analysis using BEIS. Energy Trends: UK Gas. https://www.gov.uk/government/statistics/gas-section-4-energy-trends

93) UK has a diverse gas supply and the UK's largest sources of gas are the UK Continental Shelf and Norway, with the vast majority of UK imports coming from non-Russian suppliers.[54] However, phasing out one source could create additional demand for the alternatives and this could have potential upward price impacts.

[53] Statistical Review of World Energy, BP, 2022. https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/xlsx/energy-economics/statistical-review/bp-stats-review-2022-all-data.xlsx.
[54] BEIS. Energy Trends: UK Gas. https://www.gov.uk/government/statistics/gas-section-4-energy-trends

94) UK consumers are exposed to changes in global gas markets and UK energy prices have risen sharply since Russia's full-scale invasion of Ukraine. Prior to October 22, energy prices for consumers on default tariffs were limited through the retail price cap (which had increased by 178% year-on-year by October 2022), and the Energy Price Guarantee will cap prices until April 2023 when it will be reviewed.

95) Wholesale gas prices in the UK typically closely follow price trends across Europe. Russia has disrupted supplies to Europe and the EU plans to reduce its dependence on Russia for the supply of natural gas, placing upward pressure on prices. The marginal effect on gas prices and the exchequer cost of the Energy Price Guarantee from the UK's ban imports of Russian LNG is not expected to be large in this context.

96) The UK has approximately 50 bcm of operational regasification capacity in 2022.[55] With the second largest LNG import capacity in Europe after Spain, the UK is relatively well positioned to access LNG. Through two bi-directional interconnectors, the UK also has access to European gas in storage. The UK imports LNG through three terminals, the Isle of Grain terminal near Rochester and the Dragon and South Hook terminals in Milford Haven.

97) The UK typically imports LNG on a "spot" basis under flexible contractual terms rather than under long-term contracts. This could make switching to alternative suppliers easier for UK importers. However, the ban could reduce the quantity of flexible LNG that UK buyers are able to access. Nevertheless, we judge that given the liquidity in the global (and UK) LNG market, it should remain possible for UK buyers to access alternatives to Russian LNG at an overall cost very similar to present prices.

98) In replacing Russian LNG imports, UK buyers may source LNG from further afield, increasing shipping costs. It is not possible to estimate accurately the overall impact on costs against a complex backdrop of shifting journeys, vessel sizes and rates. Furthermore, some unknown portion of the higher shipping costs may accrue to UK shippers and some may be offset by product price differentials – further complicating any estimate of overall cost impact. Most of any potential additional cost is already being taken on voluntarily, as buyers are understood to have largely stopped importing Russian LNG already, without formal legislation.

99) So far this year the UK has received 5 deliveries of Russian LNG in Q1 2022 (~0.5 bcm), with none since 2nd March, compared to 17 deliveries (~1.6 bcm) in Q1 2021, reflecting possible self-sanctioning.[56]The UK port ban for Russian vessels could also be a contributing factor. Assuming this trend continues, the market has effectively already phased out Russian LNG deliveries into the UK market.

100) Total UK imports of LNG are currently high – in Q1 2022, we provisionally estimate the UK imported around 7.8 bcm of LNG, which is equivalent to more than half of the total amount of LNG imported across the whole of 2021.[57] The 2022 share of UK LNG imports provided by Russian supply is therefore lower than in recent years. The market is showing that the UK can continue to access LNG from other, non-Russian, supplies.

101) We therefore do not expect there to be large additional costs associated with the sourcing of alternative supplies that have not already been taken on or that are not likely to be taken on by companies voluntarily.

Ancillary Services

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[55] Rystad Energy. Gas Market Solution.
[56] Ibid.
[57] Ibid.

102) There is a broad range of services companies that are involved in the trade of LNG. Due to the very broad range of companies and limited data on their involvement, we have not been able to carry out any analysis of the impacts this legislation may have on UK providers of ancillary services related to the import of Russian LNG.

Carbon Costs

103) We do not expect the UK LNG ban to have a significant impact on UK carbon emissions. Sourcing alternatives to Russian LNG, if from further afield, could increase transport-related carbon emissions. Longer transport routes for LNG would see increased emissions at the global level, while increased consumption of domestic gas production or imported pipeline

Impacts related to the additional gold import measures

104) These measures are an extension of the existing prohibition on UK imports of gold from Russia to apply to (i) gold which has been processed in a third country, incorporating gold originating in Russia; and (ii) additional gold products (articles of jewellery and goldsmiths' or silversmiths' wares and their parts that are gold, contain gold or are metal clad with gold; with an exception for personal use). Data on UK imports of gold that has been processed in a third country, but incorporates some gold originating in Russia is not available and the additional impact of this measure to the existing gold ban cannot be quantified.

Prohibition on the import of gold processed in a third country, incorporating gold originating in Russia

105) The UK imported £11.1bn in non-monetary gold[58] from Russia in 2021, based on HMRC data (which measures the physical movement of a good across a border). All of this was classified as semi-manufactured (thought to be gold bullion).

106) UK gold imports from Russia are volatile and have increased sharply in recent years. In 2010, imports of non-monetary gold from Russia were around £243m. Until 2018, imports stayed at relatively low levels, averaging around £400m per year. In 2019 they jumped to £4.1bn and in 2020 they rose again to £13.2bn, remaining at an elevated level of £11.1bn in 2021.

107) During this period, the vast majority of gold imports from Russia have been classified as semi-manufactured, including gold bars. Imports of unwrought gold were zero between 2015 and 2021.

108) On 7 March, the London Bullion Market Association (LBMA) suspended six Russian refiners to maintain an orderly market following Russia's invasion of Ukraine. Bars from the six refiners are no longer be accepted as "Good Delivery" by the London Bullion market, which means imports from these refiners cannot come into London as accredited and tradable bars of gold. Following this, the UK government legislated to prohibit the import of Russian gold.

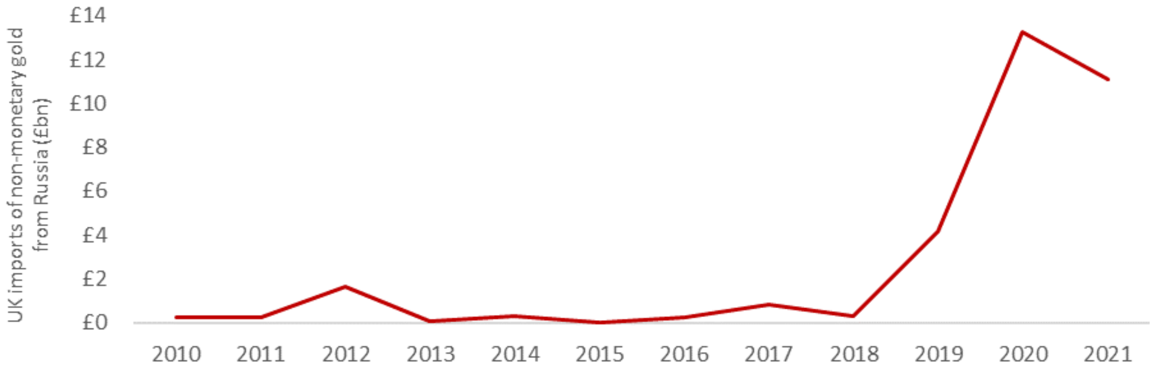
109) Given the existing measures and the earlier LBMA action we do not expect significant additional costs as a result of the extension of the prohibition to gold processed in a third country that contains some gold of Russian origin. The LBMA's Good Delivery Rules 4.4 state that refiners must meet UK, US, and EU sanctions rules. The LBMA would already use UK (and wider G7) sanctions to ban LBMA accredited refineries from taking Russian gold feedstock and refining it into gold bars.

110) Markets trade off the basis of certified "Good Delivery" gold. Any Russian-origin gold that is already certified in line with the rules of the LBMA can continue to be traded on London markets as it is not affected by this ban. This explains why, since the UK, US, Japan and Canada announced their respective bans, the gold price has remained stable.

[58] HS 7108

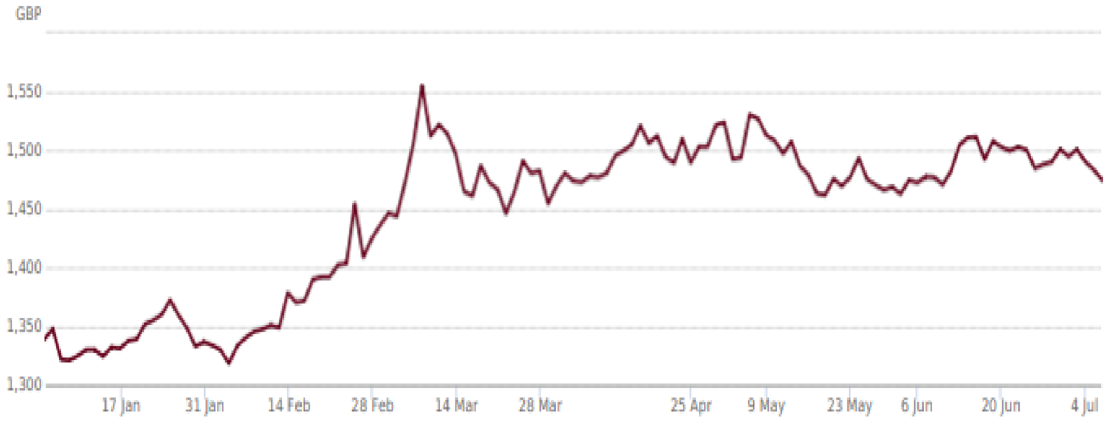
111) The London market sets a global standard ("Good Delivery") for gold. This standard accounts for around c.90% of the global gold market. If Russian gold that would otherwise have been exported to the UK is imported into alternative markets that do not recognise Good Delivery accreditation, we expect this gold to be traded at a discount. It is not possible to calculate the value of the discount.

Figure 7: UK imports of non-monetary gold from Russia over time, £bn



Source: HMRC trade in goods data (2021)

Figure 8: Gold prices since January from the World Gold Council



Sources: FastMarkets, ICE Benchmark Administration, Thomson Reuters, World Gold Council. Data as of 6 July 2022.

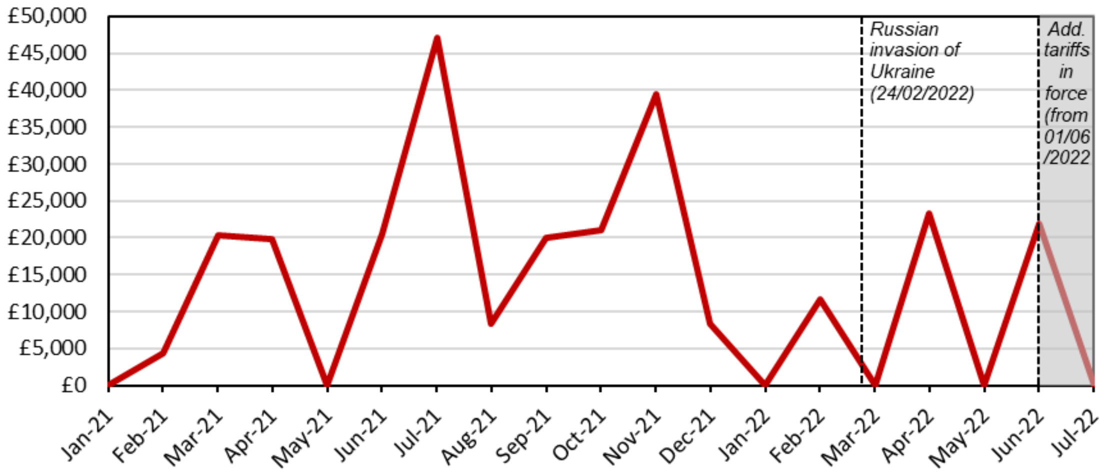
Prohibition on the import of additional gold products

112) The measures also prohibit the import of articles of jewellery and goldsmiths' or silversmiths' wares, and their parts, that are gold, contain gold or are metal clad with gold originating from Russia, with an exception for personal use. These commodities do not align with specific commodity codes but are a subset of the commodity codes HS 7113 and HS 7114. UK imports of all HS 7113 and HS 7114 products from Russia are low value (only around £0.2m in 2021) and erratic (as shown in Figure 9).

113) There has been some decline in UK imports from Russia since the invasion of Ukraine. This may reflect some self-sanctioning, and the impact of the partial sanctioning in the form of 35% additional tariffs on imports of these products originating in Russia. The additional tariffs were announced on the 21st April 2022 and imposed from 1st June 2022. However, the erratic nature of the flows makes it difficult to draw strong conclusions and there is limited data available since the introduction of the tariffs.

114) UK imports of HS 7113 and HS 7114 from Russia represented just 0.01% of total UK imports of these products in 2021. Given this, the low value of UK imports of these products from Russia, and the fact that they are already partially sanctioned, we do not expect significant additional costs as a result of this measure.

Figure 9: UK imports of commodity codes HS 7113 and HS 7114 from Russia 2021-22



Sources: DIT analysis using HMRC data (2021).

Ancillary services

115) The bans imposed by this measure and previous measures prohibiting gold imports include additional prohibitions on providing ancillary services (e.g. financial services such as insurance, technical assistance and brokering services). Due to the limited data, we have not been able to carry out any analysis of the impacts this legislation may have on UK providers of ancillary services related to the import of Russian gold.

Impacts related to additional revenue raising goods measures

116) The measures also prohibit the import of additional revenue raising products from Russia: spirits and liqueurs (including vodka) and certain residue/food waste products. These measures will align the UK with key partners.

Prohibition of the import of spirits and liqueurs of Russian origin

117) UK imports of spirits and liqueurs[59] from Russia were around £25m in 2021 with almost 90% of this being vodka. Since Russia's invasion of Ukraine imports have declined dramatically (Figure 10) with no imports at all recorded in May and June and just £0.1m in July, compared to on average around £2.0m per month in the 12 months to February 2022[60].

118) This decline may in part be due to self-sanctioning. Several supermarkets have publicly declared that they will no longer stock Russian products.

119) These products have also been partially sanctioned since the 25th of March with the imposition of additional tariffs of 35 percentage points on the import of certain products, including spirits and liqueurs, of Russian origin. These tariffs may have also contributed to the reduction in UK

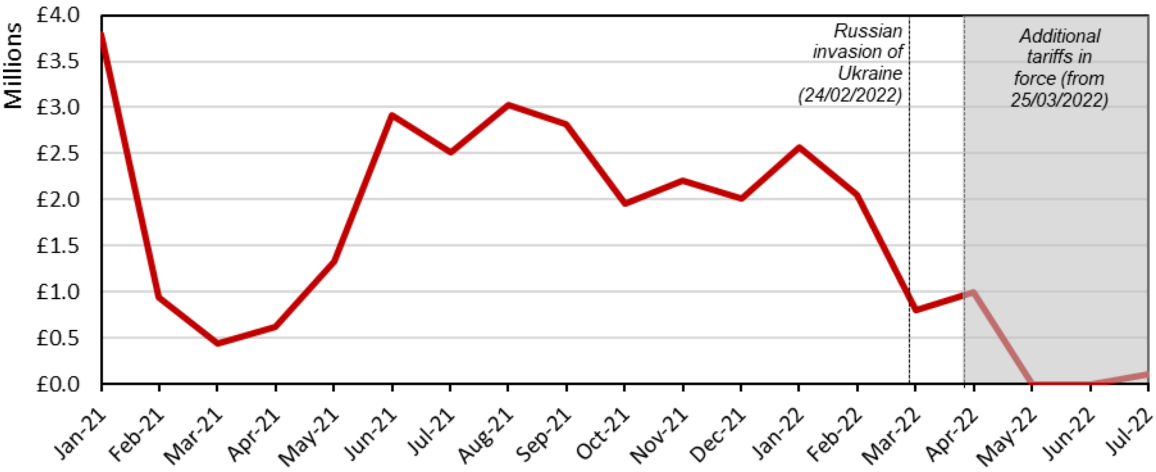
[59] HS 2208
[60] DIT analysis using HMRC OTS data.

imports of spirits and liqueurs from Russia, imports have declined further since the imposition of the additional duties.

120) Given the evidence of self-sanctioning, the fact that these products are already partially sanctioned, the large reductions in UK imports from Russia seen in the trade data, and from discussions with stakeholders, we do not expect industry to be adversely affected. We do not expect there to be significant additional costs that have not already been taken on or that are not likely to be taken on by companies voluntarily.

121) While it is too early to draw any strong conclusions, the increase in imports in July 2022 from no imports in May and June could be an early indication of a reduction in self-sanctioning. The measures in this Statutory Instrument will ensure that there is no reversal of actions by UK businesses, where they have self-sanctioned or reduced their business with Russia in response to the war.

Figure 10: UK imports of spirits and liqueurs from Russia over time (2021-22)



Sources: DIT analysis using HMRC OTS data.

Prohibition of the import of certain residue and food waste products of Russian origin

122) Residue and food waste products[61] are mainly used as inputs into the production of animal feed. In 2021 the UK imports of these products from Russia were around £8.1m. As can be seen in the HMRC OTS data presented in Figure 11, the imports appear seasonal with average monthly imports of around £1.2m in the periods January-May 2021 and November-December 2021, but were zero in all months except September (with imports of £0.05m) in the period June-October 2021. In the post-invasion period March-July 2022, imports were zero in all months except in July when imports were around £0.5m.

123) UK imports of the targeted residue and food waste products of Russian origin are already partially sanctioned, with additional tariffs of 35 percentage points imposed since 25th March 2022. These additional tariffs could increase the cost of importing these products from Russia and could contribute to reduced imports from Russia and switching to alternative suppliers.

124) While it is too early to draw any strong conclusions, the increase in imports in July 2022 from after no imports of these products in the period March to June 2022, could be an early indication of a reduction in self-sanctioning. The measures in this Statutory Instrument will ensure that there is no reversal of actions by UK businesses, where they have self-sanctioned or reduced their business with Russia in response to the war.

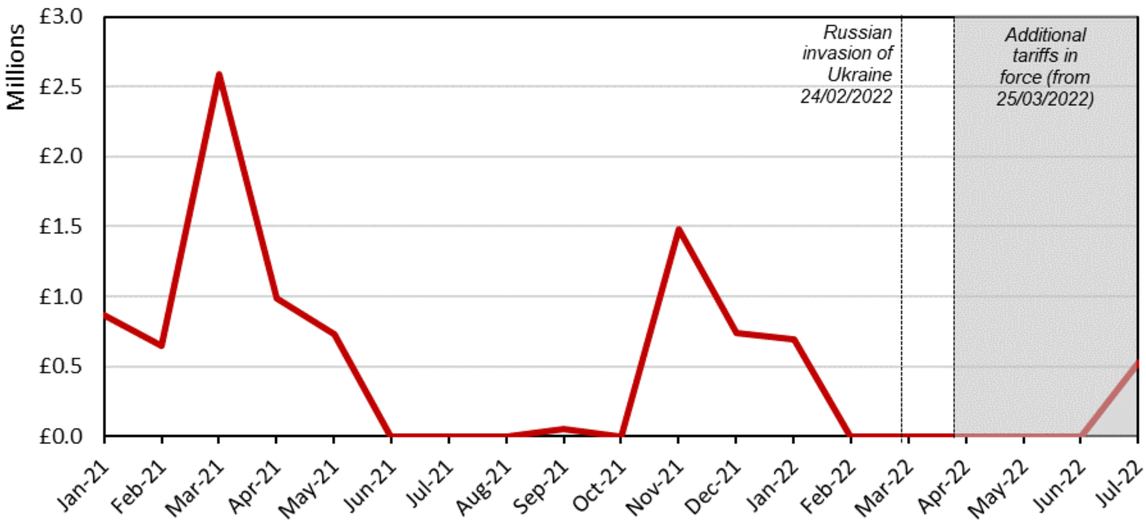
[61] HS 2303

125) In 2021 Russia supplied 29% of the imported beet pulp to the UK which is a key source of fibre.[62] The price of this input has increased recently due to the global increase in commodity prices and weather affecting the beet outlook in Europe.

126) However, as with previous years UK domestic production is able to meet much of domestic demand as the UK is a significant beet sugar producer. Imports can alternatively be sourced from elsewhere in Europe and from major exporters such as Egypt and the United States. Additionally, alternative products can be used to provide similar qualities as beet pulp in composite animal feeds such as soya hulls, pulses and lucerne which are alternative sources of fibre.

127) It is likely that Russian beet pulp will be available at a slight discount given reduced demand. Banning imports from Russia may therefore have some financial implication for firms who wish to continue importing from Russia. However, given the alternative sources of supply it is extremely unlikely for there to be physical shortages of beet pulp or a similar substitute in the UK and the knock-on impact on animal feed prices is expected to be small.

Figure 11: UK imports of residue/food waste products from Russia over time (2021-22)



Sources: DIT Analysis calculations using HMRC OTS data.

3.4.2 Regulatory impact of the import measures

128) The licensing and exemption grounds for the import measures in scope are very limited, and it is not expected that there will be a significant number of applications.

129) The extended implementation period for the energy measures is expected to be sufficient time for businesses to find alternative sources. As such, these costs have not been monetised.

130) As set out in the section above, the measures on additional gold products and revenue raising products are also not expected to lead to significant costs for firms from switching to alternative suppliers. UK imports of the additional gold products from Russia are erratic, low value and have already been partially sanctioned with additional tariffs. Imports of spirits and liqueurs from Russia have already seen large falls to very low values, with partial sanctioning in the form of additional tariffs and self-sanctioning likely contributing factors. UK imports of residue/food waste products are also relatively low value, and for products like beet pulp where a high proportion (29%) of UK imports are from Russia there are domestic supply

[62] Defra analysis using HMRC OTS data.

alternatives that could meet domestic demand as well as available alternative import sources, and are already partially sanctioned.

3.4.3 Administrative and enforcement impacts of import measures

131) Similar to the situation with export measures (see section 3.3), the combined administrative and enforcement costs to HM Government related to the import measures covered in this Statutory Instrument are not expected to be significant. The rationale for this expectation is the same one outlined regarding the export measures.

132) It is possible that there may be enforcement costs associated with the identification, disruption and disposal of banned imports at the UK border. It has not been possible to make a reliable assessment of the potential enforcement costs attached to the preferred option.

3.5 Assessment of costs and benefits of aggregated (exports and imports) measures

3.5.1 Assumptions and caveats

133) This analysis is subject to a number of assumptions and caveats:

a. Currently many UK businesses are embargoing their own exports but we do not have full data to evidence this at present. Nevertheless, as the ONS analysis summarised in Table 1 indicates, UK-Russia goods trade has already notably reduced when comparing trade in June 2022 with the average for the 12-months up to February 2022. (Therefore it is more likely that growth of UK exports, if any, would be below the growth in Russian import demand.

b. It is assumed that the embargoes will last for the full duration of the appraisal period, which may not be the case if Russian aggression ends and sanctions are lifted.

c. Profitability only considers the profit impact to the final supplier in the supply chain. There may be further profit loss to firms, both in the UK and overseas, producing inputs to the final product that have not been captured in these estimates.[63]

d. The commodity codes used to analyse the impact of Russian sanctions reflect our best understanding of the goods and services that are in scope for these measures but may not exactly reflect the Statutory Instrument. Reflecting data available the analysis has to assume that all the trade associated with a code is subject to the sanctions, when in reality only a part of it may be so.[64] This is likely to lead to an overestimation of the economic impact.

e. As mentioned above, this analysis has been undertaken based on trade figures that follow HS 2017 goods classification nomenclature. Trade values may differ under an HS 2022 goods classification nomenclature.

134) All associated economic costs from this set of measures are assumed to be direct costs to business and no indirect costs have been identified. There may be wider economic impacts on the UK and there are some specific secondary impacts that are excluded from this analysis, but which are believed to add a substantial additional non-monetised cost to this intervention:

a. **Ancillary services:** Some goods are sold with a "package" of services, for example maintenance services, or insurance or other financial products. Data from the OECD show that in 2018 15.9% of the value of UK exports to the world were driven by

[63] Office for National Statistics. Profitability of UK companies data – rates of return January 2022: https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/datasets/profitabilityofukcompanies.
[64] The analysis is carried out using HS codes up to and including 8 digits.

indirect domestic value add from the UK services industry.[65] It has not been possible to identify the value and volume of the indirect services contribution that might be affected by this intervention.

b. **Supply chain effects:** Given the UK is aligning with partner countries to impose these measures we recognise there may be both positive and negative ramifications for UK businesses via their integration into complex multinational supply chains. For example, where UK goods and services may feed into the production of these goods within a country that has also deployed sanctions to prevent exports to Russia. It is known though that, in 2018, 1.5% of the value of Russian imports from the EU-27 and 0.4% of Russian imports from the United States was derived from value add generated in the UK. Further detail on the potential impact via supply chains is outlined in the wider impacts section below.

c. **Displacement and potential business closure:** It is possible that the inability to export to - or import from - Russia due to these sanctions (directly or indirectly) may lead to the closure of some UK businesses. For example, the number of businesses exporting to Russia in 2020 was 31% fewer than the number of businesses exporting to Russia in 2014, when previous sanctions were applied.[66] Businesses may have to look for alternative suppliers for their current imports from Russia, which could add costs to their transactions and reduce their profits.
Similarly they may seek to shift their exports to other markets or to domestic consumption to mitigate against the loss of export value. It is not possible to make robust assumptions on which of these may prove to deliver the greater impact other than that the potential closure of businesses is likely to happen in the shorter term, while the diversion of trade to other countries (or to the domestic market) would likely happen over a longer time frame (but within the appraisal period). This is because it may take time for UK businesses to identify and establish new export or import partners.

d. **"Chilling effect":** Whilst many businesses have elected to embargo exports to Russia beyond the formal sanctions in response to the invasion of Ukraine, there may be some residual exports that are stopped due to uncertainty around whether their goods or services are captured by this set of measures. Similarly, some businesses may be uncertain if their trade associated with Russia is captured in previous regulations related to the invasion; or will be covered in forthcoming measures by HM Government. It is not possible to disaggregate this impact from the wider risk appetite of businesses caused by the situation that has precipitated this intervention to use additional trade sanctions against Russia.
UK trade with Russia fell by 30.6% between 2014 and 2016 following the imposition of sanctions resulting from the Russian annexation of Crimea. In the following period, a decrease was seen across almost all goods exported to Russia, demonstrating the possible scale of the chilling effect.
We might expect a similar chilling effect to occur now, both as a result of the situation in Ukraine and also following the imposition of sanctions. As Table 1 above shows, total UK goods trade with Russia has notably fallen since the Russian invasion of Ukraine.
Such effects may come from wider uncertainty and risk aversion associated with trading with Russia, plus additional impacts may materialise through global market movements (for example, energy or specific commodity markets); or via exchange rate movements, as markets adjust to internalise new assessments of relative risk between countries.

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[65] OECD Trade in Value Added (TiVA) 2021 ed: Principal Indicators, EXGR_IDC: Indirect domestic value added content of gross exports.
[66] HMRC UK trade in goods by business characteristics. Experimental estimates of Trade in Goods data matched with registered Businesses from the Inter-Departmental Business Register (IDBR) for Exporters. Excludes unregistered businesses. https://www.gov.uk/government/collections/uk-trade-in-goods-statistics-by-business-characteristics#historical-releases.

This effect is expected to be temporary and to last until the package of measures in this Statutory Instrument is implemented and its consequences are fully absorbed by UK traders.

135) This is an assessment of the direct economic cost for the UK economy, but these sanctions are not being deployed in isolation. Instead, they further the existing measures that the UK has put in place, the impacts of which are yet to be fully seen in data. Additionally, the UK, in acting with partner countries, is part of a much larger group of measures which, cumulatively, are designed to impact the Russian economy. However, this assessment does not seek to quantify to impact of partners' actions on UK exporters.

136) An estimation of the emissions impact of the proposed set of export measures was not seen as robust. It is possible that the products previously produced in the UK and exported to Russia would be produced elsewhere, leading to the risk of carbon leakage. On the other hand it is possible that consumption patterns in Russia for these products will change due to the sanctions being imposed by the UK and its broad coalition of partners.

137) An estimation of the emissions impact of the proposed set of import measures has not been attempted. Whilst these measures will reduce LNG imports from Russia, it is expected that these will be substituted to be imported from alternative destinations. There may be some additional emissions associated if there are increased transport distances.

3.5.2 Aggregated monetised impacts of proposed measures

138) This Statutory Instrument bans ancillary services related to the trade of all goods sanctioned. Ancillary activities include services such as technical assistance, financial services and funds, as well as brokering services.

139) Due to limited data availability, it was not possible to include a robust estimate for the measures associated with these ancillary services.

140) The primary cost to UK businesses will be the opportunity cost of future profit they may have made from the export or import of goods and services that will be subject to restrictions under the new measures.

141) Table 13 below presents an estimate of the profits associated with the trade in goods affected by this set of measures

142) As there are no monetised benefits associated with this Statutory Instrument the costs that incorporate profitability ("Average annual cost (2022-2030) incl. profitability" and "Total cost (2022-2030) incl. profitability" columns) are also an estimate of the profits.

Table 13: Aggregate economic costs of measures (£m)

(£m, 2019 prices)		Average annual cost (2022-2030)[67]	Total cost (present value)	EANDCB
Goods export measures	Low	£12.6m	£100.2m	
	High	£15.9m	£124.8m	
	Central	£15.3m	£120.0m	£15.2m
Goods import measures		Not monetised		

Source: DIT analysis based on HMRC data. Data presented focuses on the cost to profitability of firms exporting in the goods and services in scope of the proposed measures.

[67] Average annual cost incl. profitability is equivalent to profitability as there are no benefits

3.5.3 Aggregated non-monetised impacts of proposed measures

143) The proposed import measures accounted for 5% of UK imports from Russia in 2021. It is not expected that the import value of these goods will be representative of the overall impact that these bans have on the UK. We do not expect there to be significant additional costs from the import bans that have not already been taken on or that are not likely to be taken on by companies voluntarily.

144) We do not expect to see significant market or consumer impacts from the ban on Russian LNG. It is also expected that there will be limited costs associated with pivoting to alternative suppliers, as supply of Russian energy has already reduced.

145) Similarly, UK imports of the additional revenue creating goods are already partially sanctioned with additional import tariffs. UK imports of spirits and liqueurs from Russia have notably declined post-invasion, with both self-sanctioning and the impact of the tariffs potential factors behind this. UK imports of residue and food waste products which is primarily used for animal feed, are relatively low value. A high share of UK beet pulp imports are from Russia, however domestic production is expected to be sufficient to meet domestic demand and alternative import sources are available.

146) UK imports of the additional gold products are low value and erratic, while the additional impact of extending the prohibition on the import of Russian gold to include gold processed in third countries but containing some Russian origin gold is not expected to be significant.

147) We do not expect UK businesses to directly benefit from the export measures, as in most cases it restricts their abilities to export goods or services to Russia. This analysis therefore has not monetised any benefits to UK business as a result of the export measures.

148) A benefit that has not been monetised is that this set of measures will protect and advance UK interests by deterring and constraining the capability of Russia to undertake further aggression against Ukraine and undermine Russia's capabilities to take aggressive action against the UK and its partners. It will reinforce the UK's support for democracy, the international rule of law, and peace and security in Europe. The restoration of peace in and security in Europe would also have economic benefits to the UK, given the negative and highly disruptive impact the war has had on the UK and global economy and on global supply chains.

3.6 Wider impacts of trade measures

3.6.1 Supply chains and employment

149) The impact of the proposed set of measures on trade and supply chains would not be limited to those exporting directly to Russia and would vary across sectors of the UK economy. Using Trade in Value Added (TIVA) data from the Organization for Economic Cooperation and Development (OECD) reveals how UK industries are connected to consumers and businesses in Russia, including when no direct trade relationship exists. Analysis using the OECD's TiVA dataset (shown in Table 14) allows identification of the UK sectors that are most integrated into value chains with Russia and, therefore, those that are potentially vulnerable to disruption caused by export or import controls as well as the ongoing conflict. TiVA data offers advantages over traditional ways of measuring trade and are complementary to conventional trade statistics.

150) According to OECD TIVA data, 109,200 UK persons' employment[68] and $9.2 billion (approximately £6.9 billion[69]) of UK value add was embodied in Russian final demand in 2018

[68] OECD Trade in employment (TiM) Principal indicators for UK employment embodies in Russian final demand. FFD_DEM: Domestic employment embodied in foreign final demand.

(3.1% of total foreign value add embedded in Russian final demand).[70] This is equivalent to around 1.6% of total UK employment – and 1.6% of total UK value add – embedded in final demand from all international trade partners. While this estimates the level UK employment that was embedded in Russian final demand in 2018, it is not an estimate of the employment at risk due to sanctions on UK exports to Russia. Where UK exporters switch away from the Russian market to alternatives, including the UK domestic market, as a result of self-sanctioning or government-imposed sanctions, this employment may switch to become embedded in the final demand of these other alternative markets. Due to data limitations, we also cannot identify the proportion of trade in value added that would be impacted by UK sanctions of the export of goods in scope. Table 14 presents the value added across all sectors at different levels of aggregation. The goods in scope of these measures are particularly concentrated in the manufacturing sector.

151) TiVA data also allows identification of the share of value added in Russian exporting industries accounted for by exports from the UK[71]. The most relevant sub sector for the goods export packages is Machinery and equipment not elsewhere classified (nec). which does not contribute more than 5% of value added to any given Russian sector. The UK motor vehicles, trailers and semi-trailers sector contributes at least 2% of value added to 16 of 70 Russian sectors.

Table 14: UK exports supply chain linkages with Russia's final demand[72]

TiVA Industry (SIC code)		UK value add as a share of foreign value add in Russia final demand (2018)	UK value in Russian final demand ($USD millions, 2018)	UK employment embodied in Russian final demand (Persons, Thousands, 2018)
DTOTAL: TOTAL		3.1	9,245.1	109.2
D01T03: Agriculture, hunting, forestry and fishing		0.2	37.0	0.8
D05T09: Mining and quarrying		1.4	180.2	0.4
D10T33: Total Manufacturing	D10T12: Food products, beverages and tobacco	2.1	165.2	1.6
	D13T15: Textiles, wearing apparel, leather and related products	0.4	32.0	0.3
	D16T18: Wood and paper products and printing	1.9	70.4	0.9
	D19T23: Chemicals and non-metallic mineral products	2.0	507.4	3.4
	D24T25: Basic metals and fabricated metal products	1.2	172.1	2.3
	D26T27: Computer, electronic and electrical equipment	0.7	131.0	1.0
	D29T30: Transport equipment	2.5	387.2	2.4

[69] Value was converted from US Dollars to Pounds Sterling using the 2018 annual average spot exchange rate (Bank of England).
[70] OECD Trade in Value Added (TiVA) ed: Principal Indicators for UK share of foreign value add in Russian final demand. Data for 2018 are latest available. FFD_DVA.
[71] The OECD refers to exporting industries as those industries of origin of the exports from a country or imports to a country, see https://www.oecd-ilibrary.org/science-and-technology/guide-to-oecd-tiva-indicators-2021-edition_58aa22b1-en .
[72] The OECD calculates final demand as a combination of Household consumption, Consumption expenditure of non-profit institutions serving households (NPISH), Direct purchases by non-residents, Government Final Consumption, Gross Fixed Capital Formation (GFCF) and changes in inventories, see: https://www.oecd-ilibrary.org/science-and-technology/guide-to-oecd-tiva-indicators-2021-edition_58aa22b1-en

D31T33: Manufacturing nec; repair and installation of machinery and equipment	2.7	142.1	1.7
D35T39: Electricity, gas, water supply, sewerage, waste and remediation activities	2.3	142.9	0.6
D41T43: Construction	5.0	108.4	1.4
D45T82: Total Business Sector Services	4.4	6,410.0	80.6
D84T98: Public admin, education, health and other personal services	6.4	528.0	9.8

Source: OECD Trade in Value Added (TiVA) 2021 ed: Principal Indicators for UK share of foreign value add in Russian final demand. Data for 2018 are latest available. FFD_DVA. OECD Trade in employment (TiM): Principal indicators for UK employment embodies in Russian final demand. FFD_DEM: Domestic employment embodied in foreign final demand. 2015 data are latest available

152) TiVA also allows us to look at concentrations of Russian value added in UK industries, accounted for by UK imports from Russia. The two sectors of the UK economy with the greatest value add input from Russia were coke and refined petroleum products, and mining and quarrying of non-energy producing products. These Russian sectors contributed at least 5% of value added to 67 of 70, and 15 of 70 UK sectors respectively.

3.6.2 Impact on protected groups

153) A Public Sector Equality Duty assessment has been carried out for these measures and covers the impact on protected groups in Russia.

154) It is not possible to make a robust assessment of the impact of the measures in this Statutory Instrument on protected groups (in relation to age, sex, ethnicity and disability) in the UK labour market.[73]

155) It is possible that any potential impact would be more likely to affect male workers, who are disproportionally concentrated in sectors where employment is associated with international trade.

156) The potential impact on male workers is based on experimental analysis by DIT and the Fraser of Allander Institute showing that, in 2016, 64% of jobs directly and indirectly involved in exports were held by males, with the remaining 36% filled by females.[74]

157) Background information: UK employment broken down by protected groups:
   a. Sex: 47% of those in employment in the UK are female and 53% are male.[75]
   b. Ethnicity: 12% of those in employment in the UK are from an ethnic minority group and 88% report that they are white.
   c. Age: 12% of those in employment in the UK are aged 16-24, 84% are 25-64, and 4% are over 65.
   d. Disability: Around 13% of those in employment in the UK report that they have a disability (as defined by the Equalities Act 2010).[76]

158) Data specific to services firms engaging in trade with Russia is not available. Estimates suggest that in 2019, the UK accounting, management and business consulting and public relations sectors' overall has a 49.5% share of female employment, 13.9% from an ethnic minority background and 11.7% reporting that they have a disability (as defined by the

[73] Race is a protected characteristic under the Equality Act 2010. For the purposes of this analysis, we utilise data regarding ethnicity to consider this protected characteristic.
[74] Evaluating the impact of exports on UK jobs and incomes
[75] According to DIT Analysis of the ONS three-year pooled Annual Population Dataset (2016-2018).
[76] It is possible that non-response to this question in the Annual Population Survey affects the estimated proportion.

Equalities Act 2010)[77]. Of those employed in these sectors, 7.7% are aged 16-24, 87.1% are 25-64, and 5.2% are over 65[78].

4. Risks and assumptions

159) There is a risk that the policy discourages exporting activity in firms who are not in scope of the policy. There is a cost associated with businesses that stop trading with Russia due to uncertainty around whether their goods or services are captured in the sanctions package - the so-called "chilling effect". It is not possible to disaggregate this impact from the declining risk appetite of businesses caused by the Russian invasion. Following the imposition of sanctions resulting from the Russian annexation of Crimea[79] a decrease in trade was seen across almost all goods exported to Russia demonstrating the possible scale of this chilling effect. To what extent this chilling effect is persistent over time and trade rebounds is uncertain.

5. Monitoring and evaluation

160) The Economic Crime (Transparency and Enforcement) Act 2022 has amended the Sanctions and Anti-Money Laundering Act 2018 and removed section 30 of the Sanctions Act requiring review of the measures on an annual basis.

161) While FCDO does not intend to undertake a formal post-implementation review, all sanctions are kept under continuous review and will be adapted when the context changes. FCDO analysis is developing a monitoring and evaluation framework to assess how sanctions meet UK objectives. Such assessment will aim to include the continued collection of open source and classified information to monitor the political and economic situation in Russia as well as any unintended impacts, including on UK businesses, that come to light. Assessments of the regulatory and administrative impacts of the sanctions package could for instance draw on the Office of Financial Sanctions Implementation (OFSI)'s and Export Control Joint Unit (ECJU)'s reporting and on the number of licences applied for.

162) Published data from both the ONS and HMRC now covers the period since the invasion, and by winter, published data will cover the period following the introduction of these measures. Bilateral trade between the UK and sanctioned nations since the invasion of Ukraine will then form a central pillar of the monitoring framework for these measures. Additional use of HMRC microdata could allow for impacts to be monitored at a business level and identify any disproportionate impacts across business characteristics. HM Government also has regular engagement with UK businesses. This will provide another channel through which information on the impact of the sanctions on UK businesses is fed back to HM government.

163) Several economic assumptions have been made in this impact assessment. Therefore, it is important that an economic evaluation of the estimated economic impact on the UK takes place when possible to do so. This type of evaluation could include more in-depth analysis using econometric models or robust business surveys to understand the impact on various parts of the UK economy and its businesses. It should be noted that it may not be possible to separate the impacts of sanctions from the overall impact of the war when undertaking these analyses.

[77] Annual Population Survey (2020): Numbers of people by selected "protected" characteristics in countries, and within the UK and Great Britain industry, 2019
[78] Annual Population Survey (2020): Employment by detailed occupation and industry by sex and age for Great Britain, UK and constituent countries 2019
[79] Office of National Statistics (ONS): UK total trade data (seasonally adjusted). https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/uktotaltradeallcountriesseasonallyadjusted.

164) The policy intention is to keep sanctions on Russia in place until Russia has ended its occupation of Ukraine, withdrawn its troops from Ukrainian soil, ended its support for the separatists, and enabled the restoration of peace and security along the Ukraine-Russia border, and HM Government is assured that Russia's current behaviour of threatening Ukraine's sovereignty and destabilising the rules-based international conventions has ceased. The FCDO will continue to coordinate with international partners, including on the future of the regime.